

OVERSIGHT OF GOVERNMENTWIDE TRAVEL MANAGEMENT

Y 4. G 74/9: S. HRG. 104-563

Oversight of Governmentwide Travel...

HEARING

BEFORE THE

SUBCOMMITTEE ON

OVERSIGHT OF GOVERNMENT MANAGEMENT
AND THE DISTRICT OF COLUMBIA

OF THE

COMMITTEE ON
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE
ONE HUNDRED FOURTH CONGRESS

SECOND SESSION

MARCH 8, 1996

Printed for the use of the Committee on Governmental Affairs



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OVERSIGHT OF GOVERNMENTWIDE TRAVEL MANAGEMENT

FRIDAY, MARCH 8, 1996

U.S. SENATE,
SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT
MANAGEMENT, AND THE DISTRICT OF COLUMBIA,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 9:32 a.m., in room SD-342, Dirksen Senate Office Building, Hon. William S. Cohen, Chairman of the Subcommittee, presiding.

Present: Senators Cohen and Levin.

Staff Present: Kim Corthell, Staff Director; Paul Brubaker, Deputy Staff Director; Marty Grenn, Congressional Brookings Fellow; William Greenwalt, Chief Investigator; Frankie de Vergie, Chief Clerk; Andrea Gerber, Staff Assistant; and Colleen McAntee, Minority Legislative Fellow.

OPENING STATEMENT OF CHAIRMAN COHEN

Senator COHEN. The committee will come to order.

At the turn of the century, Government bureaucracy was hailed for its efficiency and celebrated for its standardization. Today, the Government's way of doing business is too often as outdated as manual typewriters and rotary telephones. Whether it is Government travel management, procurement, or payroll systems, compliance with rigid rules has become in many cases more important than using common sense.

The subject of today's hearing is a prime example of how the Government has failed to modernize and keep pace with changing business practices. The methods by which Federal agencies manage travel and process travel vouchers are not only archaic but very costly. These administrative or so-called indirect costs are the costs associated with approving, processing, reporting, and auditing travel-related expenses.

Media attention has focused largely on reported travel abuses by individual Government employees. These isolated instances of abuse are only the tip of the iceberg in terms of misspent taxpayer dollars. It is the submerged or hidden costs of administering Government travel that has too long been overlooked and can provide billions of dollars in savings.

At the Subcommittee's hearing last year on the costs associated with processing the Pentagon's travel vouchers, both GAO and the Pentagon agreed that DOD's policies focus too much on compliance with rigid rules, and its travel practices are outmoded and too bu-

reaucratic. There was also agreement that the travel process needed to be radically redesigned or so-called re-engineered and simplified by adopting the "best practices" of private industry.

GAO found that the Pentagon's indirect travel costs were roughly about 30 percent of the Department's \$3.5 billion in annual travel costs, or roughly \$1 billion each year. In stark contrast, indirect travel costs in the private sector average about 10 percent of direct travel costs, with some of the very best firms in managing travel at or below 6 percent. As I recall, they were trying to get down to 3 percent in some cases. It was estimated that DOD could save more than \$800 million a year by redesigning its travel process and using best business practices. That is the equivalent, I suspect, of about four divisions, roughly 80,000 servicemen and women.

Today's hearing is going to examine travel management throughout the Federal Government, not just DOD. This year the Federal Government will spend about \$4.9 billion in direct travel costs on temporary duty travel—so-called TDY—the Government's equivalent of business travel. It will also process almost 10 million travel vouchers.

While most Federal agencies have no idea how much it is going to cost them to process and manage travel, the processing cost per voucher at leading private organizations is roughly between \$10 and \$20.

In case studies of four Federal civilian agencies, GAO has estimated the cost per voucher at between \$37 and \$123. The Joint Financial Management Improvement Program estimated an average cost per voucher for processing travel of \$97 for civilian agencies, whereas the National Performance Review, the NPR, estimated the cost as high as \$200 for DOD.

Whether we use GAO, NPR, or the JFMIP's estimate of average processing cost per voucher, there is a vast gap between the Government and private industry. Using the JFMIP's goal of reducing Federal processing cost per voucher to \$37, the Government could save close to \$900 million annually. If Government agencies could match the best practices of the private sector, more than \$1 billion in tax dollars could be saved each year.

We have all heard of Star Wars. We have Chart Wars over here, as you can see on the side of the wall. If you look at the chart on the extreme left, the estimated annual savings, you can see exactly how much we could save per voucher and how that totals up. And as we go along through the course of the hearing, I will make reference to the other chart. If you compare the current civilian travel process, which is the chart just to the right, you can see how many steps are involved compared to the private sector, which is about 11 steps compared to as many as 50 or 60 in the Government. But we will talk about those as we proceed.

The best companies in private industry use practices that have streamlined and automated the travel process, as I mentioned, to as few as 11 steps and less than 10 pages of regulations. They provide simple, easy-to-understand policies, and they have consolidated operations such as using one processing location.

Federal agencies typically have a paper-intensive process with multilevel reviews and approvals, as many as 40 to 60 steps and

hundreds of pages of regulations, and dozens of processing locations.

One simple example to illustrate the Government's inefficient practices is the amount of paperwork involved. It is estimated that a Federal traveler makes somewhere between 18 and 39 copies for each travel voucher processed. The nearly 10 million vouchers processed in 1995, therefore, produced as many as 390 million copies of travel-related documents.

Let me show you my Maine roots here. This is the equivalent of having to cut down over 13,000 Maine spruce trees or creating a mountain of paper reaching some 26 miles high. If laid end to end, that is enough paper to encircle the Earth almost three times. What is worse is that these copies are seldom ever needed, and yet they cost millions of dollars a year to make and store.

We must not only change the direction in which the Federal travel management machine has been running, but replace it with a faster, cheaper, and better engine. A major overhaul has been started in the DOD, and the same must occur throughout the civilian agencies. The payoff in successfully adopting the best business practices of private industry will be to save the Government an estimated \$6 billion during the next 5 years.

This morning we are going to hear from the GAO on the results of a survey of travel management at Federal civilian agencies, and then we will get a progress report on the Pentagon's re-engineering efforts. Representatives of the GSA and the JFMIP will discuss current efforts to re-engineer travel management governmentwide. Finally, we are going to hear from the IRS which has successfully modernized travel management at its national office.

Before turning to our witnesses, I would like to yield now to my colleague, Senator Levin.

OPENING STATEMENT OF SENATOR LEVIN

Senator LEVIN. Thank you, Mr. Chairman. Let me first commend you for pursuing this topic with your usual tenacity and accuracy. We are just determined that Federal agencies are going to embrace the best practices of the private sector. There are hundreds of millions of dollars a year in savings that are involved when we do this. And I don't say if, I say when, because we are determined that we are going to make sure that these agencies change their practices. It is just inexcusable that we are wasting literally hundreds of millions of dollars a year, perhaps \$1 billion a year, in unnecessary expenses, administrative expenses, as part of the Federal Government's travel operations.

The Government spent over \$7 billion in 1994 in direct travel. About three-quarters of the agencies, according to the GAO, could not even identify the administrative costs that were associated with travel. We know they are huge, but most agencies can't even identify them.

The agencies that could identify them show a huge cost, much more than the private sector, somewhere, depending on the agency, from \$37 to \$123 per travel voucher. The Government average is about \$97, and that compares to a private sector average of \$10 to \$20 per trip.

So it is obvious that the savings here are tremendous, and it obviously is going to take some continuing pressure from the Congress to get this to happen. Some of the agencies have already moved in the right direction, and we commend those that have. And we are going to keep the heat on those that haven't. We are going to try to learn from the experiences of those that have, because there is much to be learned from the efforts of those agencies that have moved down this road to see what complications there are, what mistakes have been made and so forth.

So we look forward to an update on those efforts on the part of the agencies that have begun to move, and we will continue to join the Chairman in his pioneering effort here to make sure that we reap these savings.

Thank you.

Senator COHEN. Thank you very much, Senator Levin.

On our first panel, I want to welcome Chris Hoenig, the Director of Information Resource Management Policy at the GAO, the General Accounting Office. Mr. Hoenig is accompanied by Edith Pyles, Assistant Director, and Shane Hartzler.

I would like to take this opportunity to thank Chris personally and his staff for the help that they have given all of us in enacting the Information Technology Management Reform Act. As we mentioned privately before the hearing began, the agencies may be aware of the significance of this act that was included in the defense authorization bill that was signed by the President recently. I don't think the American people are aware of the significance it will have for saving the taxpayers billions of dollars.

During the course of last year, we held hearings which revealed that over the past 10 years we have spent roughly \$200 billion on acquiring information technology. Much of that money has been wasted, has been wasted by outdated procurement systems, has been wasted by virtue of the fact that we have purchased computers for the sake of purchasing new computers, with little understanding that they should be able to talk to each other in one agency, not to mention in other agencies. The process takes so long, an average of some 49 months, as I recall, compared to about 17 months in the private sector, that by the time we acquire all of this information technology, it is usually obsolete.

Mr. Hoenig was particularly helpful, and his office, in helping us to fashion legislation which, I hope, in a fairly short period of time will, indeed, revolutionize the procurement process for information technology and literally save the American taxpayers hundreds of billions of dollars into the future.

So, with that glowing accolade, Mr. Hoenig, would you like to proceed with your testimony?

TESTIMONY OF CHRISTOPHER W. HOENIG,¹ DIRECTOR, INFORMATION RESOURCE MANAGEMENT—POLICIES AND ISSUES, ACCOUNTING AND INFORMATION MANAGEMENT DIVISION, U.S. GENERAL ACCOUNTING OFFICE; ACCOMPANIED BY EDITH A. PYLES, ASSISTANT DIRECTOR, INFORMATION RESOURCE MANAGEMENT—POLICIES AND ISSUES; AND SHANE D. HARTZLER, COMMUNICATIONS ANALYST, INFORMATION RESOURCE MANAGEMENT—POLICIES AND ISSUES

Mr. HOENIG. Thank you very much, Mr. Chairman, for those kind words. I am very honored. Senator Levin, good morning. It is a pleasure to be here today to discuss governmentwide travel management, the ways it can be improved, and the efforts underway to do so. I'm here with our travel improvement team, Edith Pyles, who directed this project, and Shane Hartzler, who led our analysis of both the leading organizations' and Federal agencies' travel processes.

To save time, I would just like to request that my written statement be included in the record, and I would like to summarize.

Senator COHEN. It will be included.

Mr. HOENIG. Mr. Chairman, over the past several years, an important focus here in the Federal Government has been on finding ways to get smaller, work better, and cost less. The legislation recently passed through the efforts of this Subcommittee focuses squarely on this challenge of getting low-cost, high-quality services by re-engineering operations and supporting them with high-value IT investments. Today we will explore this challenge in detail by focusing on just one area—travel administration. We have looked at how travel is managed in the Government, provided benchmark comparisons with leading organizations, and assessed their best practices, including the use of information technology.

Just to be clear for a minute about what we have and haven't done in our work for the Subcommittee, to push the issue of just how much is possible to save, we focused primarily on cost rather than the speed or the quality of service. We recognize, however, that there are important inter-relationships here. We also looked at temporary duty travel as opposed to relocation and moving.

There are basically three ways to reduce travel costs to the public: one is to take fewer trips; the second is to reduce how much you pay for the travel itself; and the third is to reduce the cost of administering the travel. And just as in our previous work for you, we focused on this third area: how to reduce the bureaucracy of travel while maintaining adequate safeguards and control against fraud, waste, and abuse.

I would like to address four basic questions this morning. First, what have the best been able to accomplish in terms of efficiency, and how does the Government compare? Our bottom-line answer on this is leading organizations spend in the \$10 to \$20 range. In the Federal Government, some agencies are actually close to this level, and that was an important finding for us, about twice as expensive; others, however, spend as much as 10 times as much; and most, we found, simply don't know how much they spend at all.

¹ The prepared statement of Mr. Hoenig appears on page 45.

Second, how did these leading organizations achieve such a success? Simply put, they did it with a combination of three strategies: consolidating operations and suppliers, simplifying and re-engineering their processes, and then automating and integrating their information systems—all in the context of improving overall financial management, not just travel alone as a separate island.

Third, how is the Government doing? Will agencies be able to reach the standard set by these leading organizations? Here some of the news is good. While it is an open question just how low costs can go, as Senator Levin mentioned, several have already shown it is possible to get close, and serious efforts are being made in other agencies. However, most appear to have a long ways to go. And to close the gap more broadly, there are several issues that need to be addressed and discussed today, such as revising Federal travel regulations.

And, fourth, is there more that needs to be done? In a word, yes. Agencies, GSA, and Congress can all take actions that will help create the information, generate the sense of urgency, and speed the process required to actually reduce these costs.

Let me just take a brief moment to go into each one of these areas in somewhat more detail. First I would like to start by describing these successes that we have found and how the Federal Government compares. Just one example, in one of the leading organizations that we studied that had cut costs significantly, they cut expense report processing by more than 80 percent and also time, what once took 3 weeks can now be done in 48 hours.

If I can just draw your attention to our first chart which is up here, and it should also be in your packet.

To start with, on the far left you will see the leading organizations at a cost of \$10 to \$20 per trip. To find out how Federal agencies compared to this, we surveyed 70 executive branch civilian agencies who represented over 90 percent of total travel obligations for fiscal year 1994 and received responses from 64, an over 90 percent response rate. We also conducted case studies at specific locations at three agencies: at the IRS, Department of Justice, and the Forest Service.

What we found in the second set of bars in the middle was that some agencies were able to make a comparable cost estimate, apples to apples, and ranged from \$37 to \$123 per trip—factors of 4 to 12 times higher than the absolute best. On the right, for your reference, the chart also shows estimates made by some DOD agencies as part of their pilot efforts. These may not be comparable, apples-to-apples comparisons, but the DOD and NSA already have aggressive efforts underway to reduce these costs, as you mentioned.

Finally, the chart highlights two figures developed by the JFMIP travel reinvention task force. The highest dotted line represents an estimated average cost per trip for Federal agencies today—that is the \$98 that you mentioned, Senator Levin—while the lowest represents an estimate of an improved level which many should be able to achieve by applying the best practices.

What this chart doesn't show—and this is particularly important, we think—is that most agencies don't know how much they spend

to arrange, process, and reimburse travel. As you can see on this second chart—

Senator COHEN. Would you turn that so that the public can see what you are talking about? I am not sure everybody has a copy.

Mr. HOENIG. We actually did hand out copies of these charts.

In the second chart, it shows that three-quarters of the agencies we surveyed couldn't estimate how much they spent to process travel, and this is a serious problem. In the words of one of the travel managers at one of these leading organizations, you can't travel cheaper unless you know how you are traveling right now. It is a very difficult thing to do.

Next, let me just address how the leading organizations we studied actually achieved these levels of efficiency. All used these three strategies that I mentioned earlier:

One, consolidation, which really just involves reducing the complexity and the redundancy in travel suppliers and processing locations. As one illustration of this, an organization we studied went from 300 processing and disbursement locations to one.

Secondly, they used simplification, which, broadly described, involves cutting out unnecessary steps in the process and improving the flow of information with the use of information systems. One organization, prior to re-engineering, required up to seven signatures for one expense report. Now that report is automated, and only one approval step occurs at the back end after it has been processed.

Third, they used automation and integration, which involves automating these newly simplified processes with information systems that interface directly with financial systems. One of these organizations said it used to take 3 weeks to reimburse travel. Now you can travel 1 day, submit expense reports the next, and be reimbursed the following day.

The next question: If those are the best practices, then how are we doing in Government? And are we getting there? What is our progress?

It is important to note here that significant efforts are being made. There is a great deal of activity. Fifty agencies in our survey out of 64 said that they are revising or plan to revise their travel processes in the near future. That is a pretty large percentage. There are pilot projects underway at DOD, at Energy, at Transportation, at State, and at GSA that are aggressive. Some agencies have already gotten close on cost and are becoming fully automated. As you will hear from the IRS today, in 1995 they processed 83 percent of their fiscal year travel vouchers using an automated system.

Finally, the JFMIP effort is a highly constructive, government-wide effort that, while recognizing that one size doesn't necessarily fit all, helps demonstrate that there is consensus on both the practices to be adopted and the order-of-magnitude savings that are possible.

However, as we found in our survey, many agencies have a long ways to go. In my written statement, on pages 5 and 6, and in the packet that you should have in front of you, there is a third chart which shows some of the results from our survey that compare how leading organizations' best practices look compared to the results

from our survey in terms of how Federal agencies are doing. At this point, I think it would also be worth referring to one of the charts in the Chart Wars at the far right here, which identifies from that survey how many agencies are applying very few of these practices versus the agencies that are applying all of them or quite a number.

Just about one-fifth of the agencies are really sort of getting close to applying all these practices, whereas about four-fifths are applying four or less. That is really the basics about how agencies are progressing in the best practice area.

Furthermore, in order to close this gap more broadly and to move to the best practices and to real results, there are a number of issues that are going to have to be addressed. One of these is the lack of reliable baseline information. This is essential to measure progress and ensure that improvement efforts are focused on the most critical problem areas.

Current data are not precise enough to make anything other than order of magnitude estimates about savings which could amount to hundreds of millions annually, however, as you have mentioned. Another issue is the need to keep from designing systems that embed current inefficient processes. To avoid this means analyzing current processes first, as required in some of the sections of the new IT management legislation.

However, 25 agencies in our survey said that they had recently revised their travel processes, but less than half of them had reported that they had analyzed them first. And we find this somewhat troubling. It is also important to ensure, in implementation here, that adequate cost-effective internal controls remain in place as we move to electronic systems so fraud can be controlled effectively without spending too much money on those controls.

And then finally, the Federal travel regulations that govern how travel is to be conducted need to be reexamined. The JFMIP's report makes nine temporary duty travel recommendations that suggest that eight of those nine require some kind of regulatory change.

Just to finish up, is there more that needs to be done? Yes. The agencies, we feel, could focus a great deal of effort on assessing their costs and processes in establishing baselines of current performance, just as required in the IT management reform legislation. They can study and implement these practices and approaches identified by the JFMIP team, which we support. And everyone should, at a minimum, work to get to the JFMIP improved level of efficiency. They can also document, share and learn from successes and failures in pilot efforts across the Government.

GSA can also play a strong role as the Government's primary manager of travel policy. They need to continue to take the lead in overseeing various travel improvement efforts to form a user's group to facilitate sharing of knowledge and information in concert with JFMIP. Such a group could establish data standards, stimulate communication through directories of travel cost servicing and automated applications both in use and under development. And GSA can also assess and revise the FTR, based on lessons learned.

In the end, Congress and this Subcommittee in particular, can also play a strong role in overseeing GSA's leadership role in this

area and taking the lead to assess progress by encouraging OMB, GSA and agencies to improve their ability to measure travel costs, also by investigating the issues and further reducing costs by either reducing the number of trips taken by Federal employees, perhaps by using technology such as videoconferencing or by negotiating improved travel rates with the travel industry using special partnering arrangements.

In conclusion, Mr. Chairman, I would like to note that the work of this Subcommittee in benchmarking and re-engineering travel management practices represents an oversight model in our opinion that should be followed and replicated in other Federal operations. I urge you not to stop here. There are dozens of similar areas ranging from accounts payable and accounts receivable to grants management and disability determination that could benefit from a similar approach. Much more work remains to get to a Government that works better and costs less, and we very much look forward to working with you on these issues.

That concludes my statement. We would be happy to answer any questions.

Senator LEVIN. If I could just ask that the Chairman yield for a second, that last plea sounded to me like an urging of our Chairman to reconsider his decision not to run for reelection. [Laughter.]

There is a lot of work to be done, and it is not all going to be able to be done in the next few months, I am afraid. So what do you think?

Senator COHEN. I think you are receiving subliminal messages. [Laughter.]

But thanks for implanting that suggestion.

Thank you very much, Mr. Hoenig. A couple of questions, since you have answered most of the ones I had prepared. You did not give a specific dollar figure in terms of how much could be saved. Is it fair to say that we could save hundreds of millions of dollars during the course of a year if we make the kind of changes that are necessary to come as close as we can to best practices in private industry?

Mr. HOENIG. It is definitely fair to say that there are hundreds of millions of dollars that can be saved. And I think it is important to add to this that, on the one hand, it is very important to highlight the significance of this issue, to take a stab at estimates like you have in terms of what can be saved.

But based on the data that we saw—and this is our responsibility as the General Accounting Office—we also feel that this is a symbolic issue, because it is tempting to declare victory on how much can be saved and walk away. But since so few agencies actually know what they spend, it really is difficult to get at the right part of these problems if they have not defined what they are spending on these.

Senator COHEN. We are going to talk to Dr. Hamre about this, who is sitting behind you, since we had a hearing just recently in which the Secretary of Defense presented the posture statement for the next 5 fiscal years, in which they estimate a number of savings to be achieved. And we will discuss whether those are real or imagined and whether or not we are going to be able to achieve those savings.

You talked about GSA becoming sort of a lead agency, or some agency having to become the lead agency. OMB has the overall responsibility, but GSA does have the responsibility for the travel aspect of our Government. You also indicated that GSA should be revising and perhaps simplifying Federal travel regulations as they currently exist. We might take a page from Thoreau, who said life has become cluttered with detail. His advice was to simplify, simplify.

As I look at that chart over there on the left, I am not even sure Bill Gates could construct a microchip that complex, as far as the processes through which we currently have travel vouchers proceed. So we have to simplify in order to achieve the kind of savings we are talking about.

In the simplification process, there is also something you did not mention today, and that is fraud and abuse. That is something that we must deal with.

How do we achieve the kind of savings that we are seeking to achieve by minimizing the level of Government oversight and micromanagement throughout the entire process and yet deal with fraud and abuse?

Mr. HOENIG. I am very glad you mentioned that, because it is a critical balancing act. You cannot go to one of either two extremes, simplifying it completely and then ignoring it. But on the other hand, you also cannot go to spending hundreds of dollars to control a \$9 or a \$10 problem, either. Some of this gets back to—and I will harp on this a lot—but gets back to the baseline information, because when you are trying to get this balancing act in looking at fraud, waste and abuse, one of the things you need to know is how much fraud, waste and abuse is there and how does that compare to how much you are currently spending, because to some degree, there is an economic tradeoff that you make.

You spend a certain amount to put controls in place to manage a certain amount of fraud risk and you trade that off against the potential savings in terms of how much you are currently spending. And the only way you can really make intelligent tradeoffs is to understand some of those numbers. So that is a key variable that gets left out of the equation.

Senator COHEN. You have indicated that many agencies have no idea—

Mr. HOENIG. Yes.

Senator COHEN [continuing]. What that baseline is. I was thinking as you were talking, there is a wonderful scene in *Alice in Wonderland* where Alice comes up to the Cheshire Cat and says, "How do I get from here to there?"

And he said, "It all depends on where you want to get to."

She said, "Well, I do not much care where."

And he said, "Well, it does not matter which way you go."

If we are really seeking to measure how much savings we can achieve, but we have no idea of what we are spending now on these so-called indirect costs, it really makes it pretty impossible to get there; does it not?

Mr. HOENIG. And there are three serious risks of that in that area. One goes back to your point about IT investments, because if you do not know how much you are spending—

Senator COHEN. IT being Information Technology.

Mr. HOENIG. Excuse me for using the acronym—information technology investments. If you are going to spend millions of dollars on a new automated travel system, but you do not know how much you are spending to be able to calculate how much you save, you really do not know whether you have gotten a return on the taxpayer's investment or not.

Senator COHEN. But it costs money. Is not this one of the problems where the agencies do not want to spend the money in order to establish the baseline, because that does take a dedication of resources. We simply have some agencies which want to automate the existing system which is, to me, sort of like putting a turbo-charger on a Model T Ford. You can go faster and faster with an old system that is not designed to handle it.

Mr. HOENIG. Yes.

Senator COHEN. So you still end up wasting a good deal of money.

Mr. HOENIG. That risk definitely exists. We would not say that you have to have a 100-percent confident baseline before you even get started. I do not think we would go that far. But what we would say is that it needs to become a very early focus of the effort and that the best way to start is by having a confident baseline of those costs.

Senator COHEN. We are going to have the IRS testifying shortly, and they, as you have indicated, are far ahead of most agencies in terms of travel management. But they will indicate that no performance measures were developed up front because it was clear that automating travel processing made sense.

Now, that may have worked for the IRS. But is there a problem if you have other agencies follow the IRS example?

Mr. HOENIG. Well, in the real world, it is possible to muddle through and be successful on these issues. No one would deny that. But in terms of looking at the leading organizations, most of them, very early on in their efforts, focused on getting good numbers on what they were spending because they knew that if they did not know where all the cost elements were, they might be missing something important, like a key area of labor cost, for instance. And if they did not know where all the pieces were, they also might not know which ones were really high or which ones were low. And they also would not know whether they really got a return on their automation investment. Those are really the three risks of going into this without good numbers.

Senator COHEN. Should GSA be involved in developing a model travel management system? You mentioned all of the agencies now that are experimenting with their pilot projects and coming up with ways in which they can save money and automate their systems, and do so efficiently.

Should not there be at least one sort of model that the GSA helps to develop, giving enough flexibility for perhaps individual, unique needs? Why should each agency be designing its own particular system right now?

Mr. HOENIG. Well, one of the things that we found in looking at this question, there is clearly a strong role for central leadership here. But there is also real benefit to innovation. And if there was

only one prototype, we would lose a lot of the benefits of innovation.

Right now, one of the positive things we see going on is that there are a lot of prototype efforts at different agencies. Different agencies are trying different types of things, and ultimately we feel like those can be very constructive additions, if we are learning from them. Ultimately, we believe in this area that although there are a lot of essential similarities between different agency travel processes, there are some differences. And the one-size-fits-all approach has not worked in the past with Federal travel regulations and it probably will not work going into the future.

But GSA can play a role in learning from these initial prototypes and perhaps converging on a small number of prototype systems, rather than forcing it down to one, getting to a smaller number. I think that would be probably the best approach.

Senator COHEN. If you look at the Presidential campaign today, you hear a lot of talk about simplification of our tax system. And various people hold up a card like this, saying you can have your tax return reduced to something a little bit bigger than this. Is there any reason why we could not have a one-page travel voucher system for all of the agencies?

Mr. HOENIG. Right now, the Federal Travel Regulations and their requirement for approval of travel orders is one potential issue on the way there. But as far as we see, there is no reason why we cannot go to consolidated forms of information and automating those forms in a revised and reengineered travel process, no reason at all.

Senator COHEN. Senator Levin?

Senator LEVIN. Thank you, Mr. Chairman, just a few additional questions. You have mentioned that 11 of the 25 agencies have assessed their current process and the reason why that assessment is so critical. Can you give us the list of the agencies for the record as to which ones have not and which ones have?

Mr. HOENIG. We would be happy to do that, Senator.

Senator LEVIN. And I think my other questions—well, yes. I think this question was already answered, as well. So Mr. Chairman, I think you have covered the questions that I had also. So I do not have any additional questions.

Senator COHEN. All right. Let me ask you a few more, then.

Mr. HOENIG. Sure.

Senator COHEN. Could you identify and rank what you see as the primary barriers that currently exist for substantial progress being made across the board? What are the key things that you see that need to be done in order to achieve the end result that we are seeking, other than my staying on here as Chairman of the Oversight Committee. [Laughter.]

Mr. HOENIG. When you say "we", do you mean the Subcommittee or the agencies?

Senator COHEN. I mean you and GAO.

Mr. HOENIG. Oh. All right. I think the first important thing is to really get—again, I will harp on this—but to get a clear understanding of really what is being spent where and to try and get baseline information across the Government, working with GSA

and OMB and with the agencies to get a little bit firmer idea of what these numbers are.

Then I think the next step is really to begin to develop a framework so that we can track how agencies are moving toward that goal, on two counts. One is how fast and how far are they moving toward these \$10, \$20 and \$37 cost targets; the other is how fast and how far are they moving toward getting these best practices in place, because the two are closely related. And I think having set the goal, beginning to put in place a process to objectively track how fast and how far they are going toward that goal, in terms of accountability for performance.

I think a third aspect needs to be facilitating the success of agencies that are trying to get to that goal and doing whatever we can, either formally or informally, to work with agencies and work with GSA and the JFMIP users group to try to resolve issues and barriers that come up along the way and get them out of the way so that everyone can move faster toward the goal.

Senator COHEN. Could you discuss the impact of the Information Technology Management Reform Act on this process? My understanding, first of all, is that some of these CIOs, the Chief Information Officers, are now facing the prospects of someone in the bureaucracy trying to dilute their power and responsibility. Have you detected any of that?

Mr. HOENIG. Well, the legislation passed very recently. In the next 6 months, agencies are going to be working very hard to try to make some of these selections. And we know that the executive branch has already set up a number of different Subcommittees to begin to put implementing guidance and regulation in place, as well as to identify some of the qualifications and requirements for these new CIOs.

So efforts are being made right now. It is going to be a trench battle on a case-by-case basis to, having identified those requirements, get to the point of actually getting CIOs in place that fulfill the intent of the legislation, whose primary duty is to deal with information management and who report directly to the head of the agency and have the appropriate qualifications.

With the appropriate CIOs in place, we feel like that will go a long ways toward helping agencies that are trying to reengineer their travel processes that we have been talking about this morning, force that re-engineering effort, keep it on top management's radar screen and especially force this issue of are we developing the right information systems that are integrated with our financial management systems and that give us a return on our investment in terms of real savings for the public.

Senator COHEN. I might point out just for the benefit of those who are here, I am sure that you are probably more familiar than most with the Information Technology Management Reform Act (ITMRA), but the objective of the act was to really have much more thoughtful analysis of what the agency needs in the way of new information technology.

We had situations where agencies were simply buying the latest technology without analyzing, number one, what its needs were, just for the sake of automating, without understanding what its objectives were. We had a situation where one of our major agencies

spent, I think, something close to a billion dollars on a new computer system which the scientists at the agency did not use. They would rather use the laptops that give them much greater efficiency than this nearly a billion dollar system—about \$800 million, as I recall.

So what we are trying to do is get these CIOs, Chief Information Officers, within each agency to analyze and identify exactly what the goals and the needs of that agency are before buying, and then to think about how it can be coordinated.

But it requires a fundamental restructuring of our entire system. The ITMRA has just been passed. It is something that is going to take some time as it evolves, but it is part of the ongoing effort. And you should take heart that Senator Levin, notwithstanding my departure, is going to be here. And as all of you know, he is probably the most persistent, tenacious, dogged pursuer of waste and inefficiency in our Congress. He will be here to carry on. Senator if you have more questions—

Senator LEVIN. Well, thank you. I will not explicitly read any subliminal message in that, since it may be embarrassing to his Republican colleagues, since I am up for reelection this fall. [Laughter.]

Senator LEVIN. But thank you very much.

Senator COHEN. That was off the record. [Laughter.]

Senator LEVIN. I just had one additional question, and that is what we can expect from the GSA, assuming that they move out on these issues, what we can expect in terms of milestones from the GSA. Give us a time line.

Mr. HOENIG. Well, I guess my comment on this—and there are two types of milestones. We talk about the types of milestones and then address the time line issue. I think one milestone involves performance; I mean, performance in a sense that the public understands it.

One element of the performance meaning how much am I spending, what is the actual cost of travel now and how low does it get, and the other aspect of performance being how much am I currently losing now to fraud and waste and how much have I reduced that? I mean, that is clearly one set of milestones.

We have to have a starting point, which gets back to this baseline issue, and then I think there need to be milestones that show how far we are getting toward that reduction of cost and fraud. The second set of milestones, I think I get back to are we matched up with best practices? There is a lot of consensus on what these best practices are right now, and I think there needs to be another set of milestones related to how far and how fast are agencies getting to putting these best practices in place, recognizing that in some cases, one or two of these may not apply based on the unique character of the agency, but that the general trend should be toward getting these in place because there is no excuse for not applying best practice anymore in this current environment.

Time lines is a much tougher issue. It typically takes, even in the private sector, several years at a minimum to really make these kinds of changes and get them in place. So we are not talking about something that is going to happen in 6 to 12 months. But

on the other hand, we are also not talking about something that is going to take 5 years.

So I tend to think in terms of implementation time frames between 1 and 3 years. Past the 12-month point, we should be seeing some pretty significant progress on those two areas of milestones. As we get closer to the 2-year point, that progress should be increasing more across the board and more agencies should be getting down lower. And if we are not seeing that progress, then I think there is reason to be concerned.

Senator LEVIN. Thank you.

Senator COHEN. A couple final questions about this. We know that the private sector acts more quickly, more efficiently and more profitably than does the Federal Government. The goal of the private sector is to survive economically and produce profits for investors or owners. And so bottom line is very important, and they are constantly stretching the envelope.

I want to come back to the Information Technology Reform Act. I want to read some language, and stay with me a little bit, because it is a bit ponderous, as most language is that we write. But, "The Director of OMB should provide the executive agencies with information on best practices and advice and assistance regarding the use of best practices." That is part of the report language that accompanies the bill. But the law itself requires that the agency heads "quantitatively benchmark agency process performance against such processes in terms of cost, speed, productivity and quality of outputs and outcomes where comparable processes and organizations in public or private sectors exist."

That is a wordy way of saying, "Look, we have got to have OMB, GSA, the agencies look at the private sector to watch how they continue to excel. If we look at what the private sector is doing, they are running faster and faster every day through the new technologies being developed."

We have got to have OMB or the Federal Government constantly benchmarking, saying, "How are we doing?" Ed Koch loved to ask that question when he was mayor of New York City, saying, "How am I doing, folks?" And what we have to do is constantly say, "How are we doing compared to the private sector," because they set the standard for efficiency. We cannot always measure up because it is almost impossible for us to do so, but we need to have that as the standard of excellence, that we have to strive for. It is the requirement under the law that OMB and GSA and other agencies keep their eye on that. Now, am I correct that if the law is properly implemented, we will see that kind of focus on what the private sector is doing, to constantly try to look to that benchmark to increase our capability?

Mr. HOENIG. Absolutely. And I am glad you read the language. I wanted to very much, but I was afraid to appear to ponderous in reading it myself. But it is maybe some of the most important language there. I think that in the oversight process, we need to be relentless about this in focusing on it.

And this benchmarking can take a couple of different forms. It can be benchmarking against the private sector, but there are also a number of different areas where, as we find in some of this research, that there are leading Federal organizations, as well. Even

within agencies, frequently there are individual field site locations that happen to be doing something much better than everybody else. Even with internal benchmarking, agencies can go a long ways toward getting everybody to the best level of practice.

Without identifying what a comparative reference point is in answering the, as you said, the compared-to-what question consistently, then we really will not know how we are doing.

Senator COHEN. A couple of final points. Dr. Hamre is behind you, and he is going to discuss how a cost-effective solution to allow an individual to approve travel authorizations and vouchers by signing his or her name electronically creates some problems for DOD. You indicated in your prepared statement that GAO is working with the National Institute of Standards and Technology, or NIST, and several Federal pilot projects to develop some kind of a standardized system that has proper safeguards.

My understanding is NIST has yet to develop the software that allows that to be achieved; am I correct on that?

Mr. HOENIG. In this particular case, this is another example of the appropriate safeguard issue, which you brought up earlier. And the system that is in place right now, which involves GAO and NIST and the Department of Justice, as well as agencies and GSA, has been pretty effective on a case-by-case basis at balancing these different issues in terms of electronic signatures and other types of controls that can appropriately protect the public against fraud while maintaining some level of efficiency.

There have been a number of these decisions that have been made, and case-by-case, instances where this balance has been worked out effectively in sort of agreement and consensus with the agencies. We feel like we are going through that process right now with DOD and we will be able to work that out. Technical issues, we believe, are not the issue. This is a question of not whether the software exists or not. The technical issues are really not the problem. The question is just how much risk can you accept, and do you have a system that has got adequate safeguards and controls to protect the public's money?

Senator COHEN. Mr. Hoenig, thank you very much, Mr. Hartzler, Ms. Pyles, for coming here today. We are going to move on to the second panel. But I think that the essence of your statement is that there is good news and not-so-good news, that we have got a long way to go, that we are making some progress.

The pressure has to be maintained. Public scrutiny definitely is part of that pressure, and that is the role of this Subcommittee to constantly keep the oversight pressure and scrutiny on our Government in order to ensure that the American people are getting the best service for the dollars being expended.

We cannot make that claim today. In fact, one of the reasons there is so much discontent throughout the country that is being focused on by some of our Presidential candidates is what they see as an incredible mismanagement of their dollars, a wasting of their money. One solution is take it away from Washington, period. Let us go sack Imperial Rome and bring all the power and responsibility back to the States.

That is not going to either be easy to achieve or desirable in some cases. But the public does have to be reassured that we are,

in fact, spending their money wisely, and we cannot now assure them of that, particularly in the field of travel. With your help and with constant oversight and scrutiny, we hope to achieve that. Thank you very much for your service.

Mr. HOENIG. Thank you. We look forward to working with you.

Senator COHEN. I take back everything I said about Senator Levin. He is leaving to attend another hearing. [Laughter.]

First, I would like to welcome the Under Secretary for Defense Comptroller, John Hamre. Dr. Hamre testified before the Subcommittee just about a year ago.

Dr. HAMRE. Yes, sir.

Senator COHEN. Also testifying is Martin Wagner, GSA's Associate Administrator of the Office of Policy, Planning and Evaluation. And I want to welcome Tony Musick, the Chief Financial Officer of the IRS; and Donald Charney, the Travel Improvement Project Co-chair of the Joint Financial Management Improvement Program.

Dr. Hamre, if you would go first, followed by Mr. Musick, Mr. Charney and finally, Mr. Wagner.

TESTIMONY OF JOHN J. HAMRE,¹ UNDER SECRETARY OF DEFENSE (COMPTROLLER), DEPARTMENT OF DEFENSE

Dr. HAMRE. Thank you very much, Mr. Chairman. Thank you for inviting me and my colleagues to attend this hearing. I hope you realize we consider you the godfather of travel re-engineering in the Government. You started this before anybody else did. Godfather has lots of meanings in American society. It is an endearing and charming term. It also is a term of some intimidation in some ways.

Senator COHEN. Only when Senator D'Amato is chairing the hearing. If you refer to him as a godfather, you are in trouble at that point, I think.

Dr. HAMRE. Yes, sir. More than anything, I would like to say thank you for not just holding this hearing and leading this, but you may not see it as much as I do, but you have really forged kind of a new paradigm of working relationships in the Government through this effort.

Most times that I can recall over the 10 years I worked up on the Hill, when it was the General Accounting Office usually starting a hearing and then the agencies coming right behind them, you would know it was going to be a bloody session. There was going to be lots of contentiousness and argument and disagreement, lots of finger pointing. It was going to be basically a destructive process, not a constructive process.

This has been a very constructive process. I thought Mr. Hoenig's testimony was excellent. I think it typifies the role that GAO has played throughout this. I think Jack Brock, who has been our primary point of contact, has been just superb in what he has tried to do to help us work real problems. I think that is a model that was intended when this process was established, that probably was dormant until you helped forge these relationships. So we thank you for that.

¹ The prepared statement of Mr. Hamre appears on page 64.

Senator COHEN. You know, it really should come as no great illuminating surprise, but we are all on the same side.

Dr. HAMRE. Yes.

Senator COHEN. We are all on the same side. It is not a war and it should not be us sitting up here, looking down, pontificating and attacking the agencies. The agencies should welcome change when it is necessary. We should respect the agencies if they have unique needs, and DOD may be one of those cases.

The executive branch should welcome congressional scrutiny, provided we carry it out in a way that is responsible. We are not attacking agencies simply for the sake of pointing to "bureaucrats", be they pointed-headed or dull-headed or faceless or indifferent.

But the fact of the matter is, we want to make government work. And the executive branch should be just as eager as the congressional branch in seeing to it that we achieve that objective. So it is not a remarkable goal to say we are all on the same side.

Dr. HAMRE. Well, sir, I must confess, not every hearing I attend is like this. I have done a lot of them that are not. And so I really appreciate the tone and the structure, the way that you have led us in this. And special thanks to Kim Corthell and Marty Grenn for doing a superb job helping us through the year. It has really been tremendous.

In my testimony, I do have a lengthy piece, and I would like to enter it into the record, if I may. And I will not spend a lot of time because you have other experts you will want to hear from. I think there are three questions that you want to pose to me, I am going to try to answer.

Senator COHEN. You are going to pose my questions and then answer them? [Laughter.]

Dr. HAMRE. Well, yes, sir. I worked on the Hill long enough to realize that is what you try to do. You are rarely successful.

Senator COHEN. All right.

Dr. HAMRE. Did we do what we said we were going to do last year? Did we live up to it or did we deviate from where we were going? Number two, are we accomplishing anything? Are we getting anything done? And then number three is, is there enough momentum in this system that, God forbid, if I am not here a year from now, is there going to be momentum to carry this through or is this going to be one of these great reforms we all launch and it all just kind of peters out in the dark of night.

So let me just go through each of these very quickly. First of all, did we do what we said? Well, a year ago we said we have to start fundamentally all over. We have to start with a change of philosophy. We have to start with a philosophy that does not assume everybody is out trying to cheat, but that most people are being honest and trying just to do their job.

And so we set up a process that returns responsibility and authority to the traveler and their supervisor. And we set up the travel regulations, and we have issued the travel regulations consistent with that. The second part of our philosophy was this activity belongs in the private sector. We do not need to be having huge travel bureaucracies in the Federal Government and certainly in DOD.

We have 3,000 people that just process vouchers. We do not need to do that. There is a robust, healthy industry that frankly is much farther ahead than we are. And so we ought to adopt those business practices as much as possible. And we think we have done that. Now, I will talk to you about some of the snags we have come along, along the way in that regard.

We have issued our simplified regulations. We have launched our pilot projects and we have got about 27 of them, I think, that are working right now. Now, are we making progress? In lots of ways, we are making progress. I will come to, in a minute, where I think it is sluggish.

We have issued the regulations, and those regulations are now in force in their entirety in our 27 pilot projects. Elements of the regulations are being used by—

Senator COHEN. And how many pages are the regulations now?

Dr. HAMRE. Fifteen, sir.

Senator COHEN. And what about the supplements?

Dr. HAMRE. There are no supplements.

Senator COHEN. All right.

Dr. HAMRE. Fifteen pages. Last year, you held up those great big books and said, "You got any secret ones under the table?"

No, sir. 15 pages.

Senator COHEN. As you know, one of the great techniques is to have 20 pages of regulations, then each agency has many pages of supplemental regulations.

Dr. HAMRE. Yes, and implementing instructions. That is the other thing.

Senator COHEN. Right, which run several hundred pages.

Dr. HAMRE. Yes, sir.

Senator COHEN. I think I compared this last year to when you get out of law school and you go into private practice, you find that you can buy law books reasonably cheap. It is the supplements that cost the money each year to keep them updated. And that is more or less the same thing that takes place when you have the supplementary regulations that come out. But there are no supplements.

Dr. HAMRE. There are no supplements.

Senator COHEN. OK.

Dr. HAMRE. We have had to fight the same battle, frankly, on our statement of work; I mean, so that it does not balloon into a great big 300-page effort. That ought to be just as clean and simple, we think, to industry. And that is a struggle.

So where we have made less progress—and let me say that I did not envision how complicated this was going to be across our entire department. There is such diversity and complexity. And so it is a lot harder to launch these things than I thought.

Industry is not uniformly as far along as we had envisioned in our conceptual model. There are pieces that are quite far along in various areas, but there is no one entity that has, from cradle to grave, the kind of system that we would like. And so being fair in a competitive environment, to bring that along and not design a system that precludes an honest competition, is turning out to be a hard thing for us to manage.

We are working on that.

A second problem which was both internal and external is we are trying to accommodate the tremendous change that is going on inside the travel industry itself right now. Their view of our new system—and they are troubled by this. Their view of our new system is we are asking them to do a lot more work and still not get paid for it. The commercial travel offices we have had in the past have been providers of the end product of the service, not the front end of the entitlement and this sort of thing.

We are now talking about giving them a lot of that responsibility. And they are saying, "If I am doing your work, I should not be doing it for nothing." And we have to work through that. That is turning out to be a knotty problem, at the same time in having a competition where it is fair across the board to the vendors. So that is something that we will need to talk about in a minute.

A third problem—and may I again reiterate what Mr. Hoenig said, how helpful it has been working with the General Accounting Office on the issue of electronic signature. This is a tough problem. It is an engineering issue. You know, how tight does it have to be, and is it worth it to make it as tight as we think we theoretically could design it?

By the way, I am helping to pay for this effort because it was important for me to fix it. I just found out from Mr. Martin from GAO we were late in getting the dollars to NIST, but I am actually—DOD is actually paying NIST to help design these standards.

It is important to me probably not so much for the travel piece. I am not so concerned about fraud when it is a \$200, \$400 sort of thing. I need the electronic signature to work for my larger vendor payment operation, and I am concerned about that. So it is worth it to me to find a way to get a reliable electronic signature system that meets very tough standards. We are not there quite yet.

Mr. Hoenig was exactly right, and they have been extremely helpful in working with us to engineer practical solutions for our travel re-engineering effort as it exists now. But I think we still want to press the edge of the envelope when it comes to electronic signature security, because it is the wave of the future. Where it isn't a big deal, perhaps, with travel vouchers, I have one finance center where we process \$35 million an hour, and we are going to increasingly be going to a distributed world for verification of the input into that system so that we know it works. So I need to make sure that that security works across the board.

So it is one that you don't want to let up pressure on us in the Government to fix. It is just turning out to be a little harder technically to fix than we thought it was going to be initially. Right now, none of the commercial off-the-shelf products meet the test, and so we have to do something in that regard.

Now, is there momentum that will carry us past the change of this Government? Your departure is—we hope that the Committee will continue to keep the impetus behind it. I worry about my departure if it comes. I worry very much that there was going to be momentum across a change of Governments if that comes. Typically, things really slow down, and the stickiness in bureaucracies could slow things up.

Several things that I am encouraged. One is I find a great consensus inside the Department and across the Government that we

need to make these changes, and there is a remarkable consensus on the overall approach that we ought to be taking, that we ought to put the services in the private sector, that we ought to engineer the security and the internal controls up front in the process, that we ought to minimize the sort of cover-your-butt auditing that we tend to do just because we know we won't catch it and we don't want to be blamed for it when it happens.

There is consensus inside the Department that we can't afford to keep doing it the way we have been doing it, that there are lots of wasted resources by our old system. So there is great consensus in the system.

I don't think there is going to be a dedicated effort to slow things down. I do think that there are going to be a lot of problems that we have to, frankly, reach an agreement on before the year is out in order for there to be a momentum. And let me frame what I think is the central problem I face over the next 6 months.

In designing our acquisition strategy, we have two poles. One approach, which was our original statement of work concepts, is to say that we will go into 12 regional contracts. These will be very large contracts for this industry, and we would want a fully integrated solution so that it is everything from the front-end entitlement process with the built-in internal controls, all the way to the delivery of the reservation and the follow-up process. We want to put that in the private sector to a single vendor.

That has frightened a lot of the travel industry because a lot of existing travel industry has not been doing that in the past. It is clear, however, it is the wave of the future in business travel, and so we are pulling and tugging inside that community.

The other model we could adopt is one that would break apart the process, have a centralized travel system that would establish the entitlement, establish the travel record, become the central repository for the accounting data and this sort of thing, and then have a commercial travel office somewhat like currently exists, simply plug into that in an electronic way, and then get the information it needs to establish reservations, and then report that back into the central system.

There are pluses and minuses to both of these approaches. The disadvantage of the second is that it makes the Federal Government—in this case, the Department of Defense—the integrator; and as you know from working on Armed Services, anytime the Government becomes the integrator of a big complicated process, you get a lot of problems. And so we are wrestling with that dilemma right now.

There are pros and cons, and we have differing views in industry that we are working with on what is the right way to go. We have to decide that in the next couple of months. We can't decide it without doing very detailed benchmarking and cost analysis, and so that is what we are going to have to go through in the next couple of months.

Our goal is to maintain a fair and balanced approach in our face to industry, to be open with them about our concerns, and then to communicate that as soon as we are able to decide what is the right way to go.

But, sir, I do think that there is great momentum. I think this initiative you have launched will definitely proceed into the future. I think it is inevitable. I think that industry is going to push us in this direction. The main thing is for us not to let our own temporary bureaucratic imperative slow things down. And we have to make sure—that is probably my highest role here in the next 6 months, at least, until we see what my long-term future is.

Sir, let me conclude there, and then open up to any questions, of course, later on.

Senator COHEN. Thank you very much, Dr. Hamre.
Mr. Musick?

TESTIMONY OF TONY MUSICK,¹ CHIEF FINANCIAL OFFICER, INTERNAL REVENUE SERVICE

Mr. MUSICK. Thank you, Mr. Chairman. It is my pleasure to be here. What I would like to do is to summarize my remarks and ask that my official statement be included in the record.

Senator COHEN. If you could, pull that mike a little bit closer.

Mr. MUSICK. Sure. Again, it is my pleasure to be here to talk about the IRS's travel system. We have had a great deal of success at the IRS in revamping an old-fashioned paper-voucher process into a modern automated system to reimburse our employees whose jobs require them to travel. This system reimburses an employee in approximately 5 to 7 days after an approved voucher is entered into the computer.

The IRS automated its travel back in 1980 before re-engineering and other measures were being widely considered. We had an infrastructure in place of software and hardware, and we felt that it was important to try to reduce the paper burden to employees and reduce the cost. This system has changed the way we do that process, and we now have a two-step process: one, a certification of the claim by the traveler, and two, the approval by the supervisor. In fiscal year 1995, we processed over 80 percent of our travel vouchers, or about 325,000 vouchers, electronically.

Let me just take a moment to tell you what it was like prior to this. Prior to instituting an automated travel system, the paper travel system was cumbersome and tedious. In the past, an employee returned from a trip and completed a paper travel voucher. The voucher was signed and forwarded to the supervisor who reviewed the information and approved it. Copies of the travel voucher and the supporting documents were made, and the original voucher was put into an envelope and mailed to the accounting operation. The accounting technician sorted and reviewed the voucher for accuracy and completeness. If there were no errors detected, the data was keyed into the accounting system. If there were errors, the travel voucher was returned to the employee to correct the error, and the process began again. And, believe me, a lot of frustration was caused between the accounting office and the employees that were doing those travel vouchers.

Filing a voucher using the current IRS automated travel system is essentially a very simple process. The employee is directed to travel. When he or she returns, the travel data is entered into the

¹ The prepared statement of Mr. Musick appears on page 74.

travel system. The automated voucher is routed to the responsible manager for review and approval. After the manager reviews and approves the voucher, it is automatically transmitted to the accounting system. The accounting records are updated, and the payment, along with other payments, is transmitted to the Federal payment center in Birmingham, Alabama. The reimbursement check is then produced and sent to the employee.

Mr. Chairman, I would like to highlight some of the tangible benefits the IRS has realized as a result of this change in its travel process.

Based on preliminary information provided to us by the General Accounting Office and our own internal audit, we have determined that every time a traveler uses the automated travel system rather than submitting a paper voucher, we save between \$14 and \$22.

The system ensures that the proper rates are used by the traveler, thus reducing the administrative burden on the traveler and the manager. The system is user-friendly and does not require extensive specialized training. In fact, the IRS travel system assumes that the user has little computer expertise.

As I have already mentioned, the employee receives reimbursement within 5 to 7 days after the voucher is approved. The automated system performs all calculations and eliminates math errors. It also has a built-in edit check that ensures that the correct per diem and mileage rates are being used.

The employee can access the system for payment history information without contacting the accounting operations area for assistance. The system reminds the traveler which expenses require supporting documentation, such as a lodging receipt.

Finally, communications has also improved greatly. The system can be modified to accommodate rate changes which eliminates the cumbersome task of reaching some 70,000 travelers through another type of communication, and rejecting or correcting paper vouchers that do not have proper rates.

We believe that other agencies can learn from our experience in implementing a travel system and, importantly, interfacing it with their accounting system. During the implementation we learned some important lessons I would like to share with you.

First, we would not develop another travel system in-house. When we developed our system, there were no products commercially available. We realized that we could not implement a travel system at the same time we were replacing eight stand-alone accounting systems. Therefore, our implementation of the travel system covered several years.

We found the system needs to be user-friendly and easily accessible. Phased-in implementation is critical for success. We found that the advantages of using the system had to be marketed to the employees to get acceptance and that the travel system should be electronically linked to the accounting system to gain significant benefit.

Finally, Mr. Chairman, I would be remiss if I did not talk briefly about the Joint Financial Management Improvement Program report. We do agree with many of the recommendations made in the report. I would like to highlight two of the recommendations that

would be particularly helpful in reducing the administrative burden of our employees.

We endorse the recommendation to establish a flat-rate system to reimburse meals and incidental expenses on partial days of travel. This change would eliminate the need to record the departure and arrival times.

We also endorse the recommendation to eliminate the telephone call certification requirement. Currently, all travelers are required to submit telephone call receipts, regardless of amount.

In summary, the use of the automated system provides a single source of data entry and eliminates the errors that are introduced when paper vouchers are rekeyed by the accounting operation. The travel system is more efficient, and all indicators are that employees prefer it.

Mr. Chairman, this concludes my statement. I would be happy to respond to any questions.

Senator COHEN. Thank you very much, Mr. Musick.

Mr. Charney?

TESTIMONY OF DONALD K. CHARNEY,¹ TRAVEL IMPROVEMENT PROJECT CO-CHAIRMAN, JOINT FINANCIAL MANAGEMENT IMPROVEMENT PROGRAM

Mr. CHARNEY. Good morning, Mr. Chairman. Thank you very much for the opportunity to discuss the travel management improvement within the Federal Government. The Subcommittee and my colleagues have done an excellent job of discussing the current state of travel management in the Federal Government and the opportunities for improvement. I would like to read a summation of my formal statement that I ask be included as part of the record.

Senator COHEN. Your full statement will be included, Mr. Charney.

Mr. CHARNEY. Thank you, sir.

I am the chief financial officer of the United States Agency for International Development. I am here today representing the Joint Financial Management Improvement Program, referred to as JFMIP. It is a cooperative program of the Department of the Treasury, the General Accounting Office, the Office of Management and Budget, and the Office of Personnel Management. JFMIP addresses governmentwide financial management issues. JFMIP recognized the need to reform travel management in the Federal Government and organized a task force to address this issue. The effort began in October of 1994.

JFMIP asked the General Services Administration, which administers the Federal travel regulations, and myself, a user of these regulations, to spearhead this undertaking. The purpose of this study was to identify and recommend opportunities to improve travel management and to recommend the removal of all outdated policies that impede the implementation of these recommendations. As we listened to the presentations this morning, we are all on the straight track trying to get this done, and it has been very gratifying.

¹ The prepared statement of Mr. Charney appears on page 87.

A working-level interagency task force of travel policy experts from departments and agencies across the Government have participated in developing travel improvement recommendations. Nine of these recommendations pertain to temporary duty travel, and the remaining 16 address domestic relocation or permanent change of station travel. These recommendations emulate best travel practices obtained from several organizations in both the public and private sectors. They have been issued in a JFMIP publication entitled "Improving Travel Management Governmentwide." May I ask that this document also be included as part of the statement, sir?

Senator COHEN. It will be included.¹

Mr. CHARNEY. I have met with senior executives from both the executive and legislative branches and inspectors general. There is universal support to implement these recommendations which eliminate red tape, save money, while promoting equitable and timely reimbursement to travelers.

In addition to publishing nine TDY recommendations, JFMIP, like the General Accounting Office and the Department of Defense counterparts, have also developed temporary duty models. No two agencies have the same travel process. The models do not universally portray each agency. They were developed to heighten the awareness of a need to improve travel management. The current TDY model for a typical non-DOD civilian agency has 59 steps, which is similar to the DOD model.

Administrative costs are estimated to be \$98 to \$128 per trip. For example, if the median trip is \$1,000, administrative costs are approximately 10 to 13 percent of the direct travel. The improved model reduces the process to 12 steps. Administrative costs under this model fall to approximately \$37, or less than 4 percent of direct costs, for a median \$1,000 trip. This saves \$61 to \$91 in processing costs per voucher. Applying the improved model to non-DOD civilian agencies, we expect to save \$467.1 million annually—\$36.6 million in direct costs, and \$430.5 million in administrative costs.

It appears, sir, that no matter who is doing the study, we don't hone into the exact penny, but we are all in the same range of what it costs to process and how much money can be saved.

Though not the focus of this hearing, I would like to say a few brief words about relocation travel, often called permanent change of station travel. I am pleased to tell this Subcommittee today that we, at the request of the Subcommittee staff, have developed statutory proposals and regulatory changes that will save \$70.5 million in administrative expenses and \$285 million in direct expenses for civilian domestic relocation. The combined administrative and direct savings for TDY and relocation travel exceeds \$820 million annually.

We have completed a draft legislation package that is currently under review. We would be eager to discuss this package at any time convenient to the Subcommittee.

Though the Subcommittee is aware of the barriers that we are overcoming, I would like to reaffirm a few. The perception that Government employees are not honest is false. The Government incurs costs disproportionate to savings in reviewing travel and relo-

¹ See page 104.

cation vouchers. We should not incur costs in excess of potential savings in reviewing documentation. Only a small percentage of the workforce in and out of the Government will attempt to use travel regulations for personal gain. The crook is greedy, and eventually his irregularities will be caught through automated audit techniques and other review processes.

The Federal travel regulations establish governmentwide civilian temporary duty and relocation policy. The FTRs place many burdensome and unnecessary antiquated controls on agencies. As this Committee knows, individual agencies issue thousands of pages of travel policies to support their agency requirements. The good news is that GSA has partnered in the re-engineering effort from day one and is working to revamp and revise the travel regulations.

There are statutory impediments that need to be overcome if we are to realize the potential savings outlined in the report, for example, the previously mentioned Telephone Act of 1939. It was necessary when it was introduced in 1939. Today's normal practices on using telephones and technology make this requirement unnecessary.

The Departments of Defense and State initiated a dialogue with the Internal Revenue Service and the Office of Tax Policy to modify certain tax regulations which will reduce travel management costs. We applaud the IRS for raising the receipt threshold from \$25 to \$75, thus reducing the amount of paperwork required in the travel process.

Tax compliance issues must be addressed if we are to realize all potential savings. Tax issues associated with TDY travel are expected to be resolved. Tax issues connected with relocations may be more difficult to resolve.

Current statutes generally consider relocation expenses a taxable fringe benefit to the transferree. The Federal Government, as with most Fortune 500 companies, in turn, reimburses transferrees for the additional tax liabilities. Federal agencies, alone, spend \$35 million annually to manage the process of tax reimbursement. Costs are far greater in the private sector. Tax policy changes are required to eliminate the need for this reimbursement process.

Many travel processes are paper-intensive. Paper forms are used to document travel authorization, advances of funds, and voucher claims. Travel data is repetitively entered on one or more of the required forms. The JFMIP recommends a seamless travel process similar to that proposed by DOD which begins with consolidating travel information using standard data elements. However, the Government must first define a cost-effective and electronic signature standard to implement this seamless process.

Standard data elements, however, will not provide us with the administrative cost information. Until activity-based cost accounting standards are implemented, time and motion studies will continue to provide the best baseline for determining lowest processing costs.

Travel management is not a static process. JFMIP suggests pursuing the following initiatives to ensure continuous improvement in travel management. One, establish a central repository of travel data to track direct costs, such as air-fare, lodging and rental cars.

Two, measure administrative costs at regular intervals and evaluate the efficiency of the delivery of travel services through agency management reviews.

Three, organize a travel industry advisory group and create a travel management consulting resource to identify means to improve travel management and service delivery, and to identify opportunities to outsource more travel functions. And, four, distribute best travel practices through newsletters and the Internet.

You will note in the report that some recommendations are required. We believe Government agencies will choose to voluntarily implement the other options that improve resource utilization. This report is a first step in the reengineering of Federal Government travel policies and practices. We seek the rapid implementation. The prognosis for improving Federal travel management is bright. Agencies have requested Federal travel regulations waivers and have started to implement travel improvements.

Throughout the travel improvement process, I have been impressed with the willingness of Federal managers to change the status quo to effectuate cost savings. This effort illustrates that Federal agencies can work together to overcome weaknesses and to develop common-sense solutions to improve Government.

I hope that I have the support of the Subcommittee and the continuing cooperation of tax policy experts to bring this effort to fruition.

Mr. Chairman, I thank the Subcommittee for the opportunity to provide this statement. I would be pleased to answer questions.

Senator COHEN. Thank you very much, Mr. Charney.

Mr. Wagner?

TESTIMONY OF G. MARTIN WAGNER,¹ ASSOCIATE ADMINISTRATOR, OFFICE OF POLICY, PLANNING AND EVALUATION, GENERAL SERVICES ADMINISTRATION

Mr. WAGNER. Thank you, Mr. Chairman.

It is my pleasure to address the views of the GSA on how Government can improve travel management policies. If I may, I would like to submit a written statement and then summarize that statement.

Senator COHEN. It will be included in the record.

Mr. WAGNER. Thank you.

The GSA and JFMIP effort on travel reinvention has been ongoing since the summer of 1994. At that time, travel policy was done in the Federal Supply Service, along with travel services and related contracts. The travel policy function was recently transferred to our new Office of Policy, Planning and Evaluation that I head. This office is responsible for coordinating the development and evaluation of new policies and, where necessary, the revision and elimination of existing Government-wide regulations that no longer serve a useful purpose or that fail to provide enough flexibility for Federal agencies to perform their functions in an efficient manner.

If I could give you an example, I just discovered we have 18 items requiring a receipt, regardless of amount, and if I could mention a few of these items, it may tell you something about the prob-

¹ The prepared statement of Mr. Wagner appears on page 96.

lem we have got: rental of typewriters; steamer chairs, steamer cushions and steamer rugs; telegrams cablegrams, and radiograms. We have a lot of things that are sort of left over, like an appendix, left over in the travel regulations probably put in for good reasons, perhaps many decades ago, that if we would just eliminate them we might go a long way towards simplifying some of these processes.

After hearing the testimony from my colleagues, I have a sense that our responses to the issues that you have asked us to address are much more significant than our responses addressed directly at travel reinvention. The process that DOD and the civilian agencies have gone through has produced and will continue to produce substantive change and associated savings, immediate and real, for employee travel and relocation programs.

A large group of dedicated Federal employees has responded to the taxpayers' call to make changes and improve processes to save tax dollars. The JFMIP approach has worked well because the responsibility was given to representatives who had a given interest in the goals and their outcomes. We have proceeded to draft a legislative package for all of those changes that JFMIP asked us to endorse. A legislative package has been sent for Federal agency review with comments due back to OMB by the middle of the month. We anticipate that those comments will be reconciled quickly and the legislative package immediately forwarded to Congress for action. Of course, I always am an optimist.

I would like to make you aware of the huge effort that many agencies——

Senator COHEN. Are we worried about Congress taking action? [Laughter.]

Mr. WAGNER. Sometimes we——

Dr. HAMRE. Do not answer that. [Laughter.]

Mr. WAGNER. Thank you, good advice from my colleague on my left.

Senator COHEN. You may change the whole tone of this hearing. [Laughter.]

Mr. WAGNER. I would like to make you aware of the huge effort that many agencies have made to support this effort. They are listed in the back of the JFMIP report. I would like to specifically mention that the Defense Department, State Department, Internal Revenue Service and Social Security Administration led the way with their innovative waiver requests and their implementations that helped energize agencies and employees to find better and cheaper ways to accomplish travel and relocation.

As part of my testimony, you requested that we provide milestone plans for reengineering travel and its related processes. We have provided you our starting point for travel process and services reinvention. I expect to update and improve this plan as I get a better sense of the resources available to expedite the legislative and regulatory changes to improve the travel process.

These short, medium, and long-term goals are achievable given the cooperation the Federal community has demonstrated today. The most important goals relating to regulatory reform and legislative change have received and will continue to receive the most attention. Also very valuable have been the forums that have pro-

vided for an exchange of ideas about progress, near misses, failures shared by both public and private sector organizations.

GSA, JFMIP and the Chief Financial Officer community will continue to sponsor these events. More changes will be needed to solve both existing and new problems, and we will work with concerned agencies, the Congress, and industry experts to develop appropriate policies and supporting service programs.

I am very sensitive to the reality that each agency is unique in its mission and requires the ability to make policy and service changes and adjustments to accomplish that mission. Increasingly, agencies are finding that the current progress no longer works well. This applies to more than just the travel process. They have a vision of what is needed, but often lack the resources to make the analysis and effect the changes required to make the vision a reality.

To assist these agencies, GSA and the CFO community have begun an education program to help educate and increase agencies' awareness of best practices in the Government and the private sector. The most recent of these meetings was on February 1st, when the best of both private sector and agency reinvention efforts were presented to over 200 interested participants.

We still have a great deal to accomplish. We, at GSA, are all intensely aware that every month's delay in reforms we are implementing is a month's delay in savings for the taxpayer. I am convinced that with the Committee's help we can successfully reinvent travel.

Thank you for the opportunity to testify. I would be happy to answer any questions you might have.

Senator COHEN. Thank you very much, Mr. Wagner.

Let me do something a little bit different in this hearing than we ordinarily do. And that is to thank my staff before I get to the conclusion of the hearing. Dr. Hamre, you mentioned Kim Corthell and Marty Grenn. Marty is from Naval Audit and he has been working with the Subcommittee for the past year as a Brookings Fellow and he has done most of the work on this hearing. And he also helped enormously on the information technology bill. Today is his last day, officially. And he will be returning to Naval Audit. I wanted to take this opportunity to thank him for the kind of expertise he has brought, along with Kim Corthell and Paul Brubaker.

Most of you who are from the Government, in the audience today, understand that the great bulk of the credit goes not to the Senators, who sit up here, but to our staffs. They are the ones who become the experts in the field and they try to make us as knowledgeable as possible. They are the ones who go unheeded and unheralded while we tend to grab the headlines and the credit. They are the ones who really do, in fact, deserve it.

I have been most impressed by my colleagues' reaction to my decision to leave. [Laughter.]

I am witnessing the apotheosis of Bill Cohen. [Laughter.]

And it is almost getting to the point where I am starting to quote from Mark Twain when he talked about these accolades as sort of like enjoying the benefit of reading one's obituary without the inconvenience of dying. [Laughter.]

But I must say that when you suggest, Dr. Hamre, that you hope that the momentum will continue that it raises the question about the public's perception of Government and about the significance of what we are doing.

You know, this is not really the kind of a hearing or the kind of an issue that is calculated to stimulate a lot of public interest. It is being covered by the press and hopefully they will continue to cover the issue.

Undoubtedly, they will cover it more from a provocative point of view, saying here is the Pentagon spending the equivalent of 30 percent of its actual direct travel costs on indirect travel costs and look at all the money that could be saved. We need the press to do that because if you do not have the press constantly focusing on what is going wrong with our system, then you will not get change.

I had one writer refer to me as being the chairman of a marginally significant Subcommittee. [Laughter.]

And I did take great umbrage at that. [Laughter.]

And I said, internally, this is a pretty important Subcommittee. This is a Subcommittee that deals with the nuts and the bolts and puts the wheels on the Government to make it run, but it does not get a lot of attention because it takes a lot of hard work and a lot of expertise on the part of really truly gifted men and women who serve in our staffs.

But when you raise the issue of, with your departure, can we continue? It raises a more fundamental issue about can the center hold? We are seeing a lot of this now. Many people are departing public service.

Ultimately the center has to hold. If you do not have a center, then you only have polar ideological extremes, and then nothing functions. The Government breaks down.

As you suggested, Dr. Hamre, it is very complicated. We have some people who say, let's lift up the hood and take a look under and let's fix it. I dare anyone in this audience to pick up the hood of any car today and go in there and fix it. You have got to be a master mechanic. We have got an enormously complicated system because we live in an enormously complicated society.

And what this Subcommittee has tried to do, since I have been on it and I go back to 1978, is to continue to look under the hood to see how we can make the engine function more efficiently. The goal is that we not have gas-guzzlers as such but that we have a very cost-efficient, effective, environmentally-sound Government engine running here.

So, the center is going to hold. There will be other people coming in. There will be people on this Committee and elsewhere who will continue to push for these reforms because we do not have any choice. DOD does not have any choice. If the Department of Defense hopes to carry out its mission and carry out the deployment of various strategic and sub-strategic systems it is going to have to save money somehow. This is one area where we can save a lot of money.

And I am not picking on DOD. We use DOD as an example, because of the enormous budget that is involved. And DOD is in the forefront of trying to make some changes with its 28 pilot projects. But we have to, I hope, pursue this great experiment of ours by of-

fering constructive criticism and stop running against the Government as if it is the enemy.

We have got to push for change and always be critical, scrutinizing, but to do so in a very constructive fashion. I think that really is the benefit of this Subcommittee and the full Committee as well.

So, with that spirit in mind, let me ask you some questions.

Have you established cost and performance measures? I take it that you have not yet done so, and the question I have is when will you be able to do so?

Dr. HAMRE. Sir, we have established some for the pilot projects. By the way, may I as well say, those of us who are sitting at this table really have the army of experts behind us. I would like to especially thank Karen Alderman, Colonel Arnold and Colonel Westbrook in DOD who have done all of the lion's share of the work on this effort for us.

We have established some criteria and they have measured this time series data. We have actually built a model that simulates the system and we will use it to calibrate the performance of each of the pilot projects against that model to help us refine how we would like to structure the final bid.

The time it takes to get the steps done, the amount of costs compared to the standard for travel, there will be notional standards for a trip, this sort of thing. So we do have a whole bunch and I will be glad to provide that for the record, sir.

Senator COHEN. Have these 28 pilot projects established a cost per voucher?

Dr. HAMRE. We, I think we know the range. I think we know which is the best which is, I think \$38 per voucher. That is the best. I think the worst is like \$115 a voucher. I mean it is pretty sad.

Is there a specific goal that any of them are working to? I do not know that we have put a marker on success or failure with a dollar value of a voucher transaction for the pilots. We are still trying to work out and validate the model and the technology. I do not think we have put them out.

Ms. ALDERMAN. We are measuring all the pilots and setting baselines for all the pilots, testing different methodologies in the pilots to see what works best. And we are well into the process of doing that. And we make sure we have 28 scrub baselines, different operations, different services, different missions that will have a very detailed baseline.

Dr. HAMRE. But there is not a single one across the board right now because we do not have a single system. I mean they are all remarkably different. We are trying to accommodate where they are in their own business practices right now.

Senator COHEN. But if the goal is \$37 per voucher compared to—

Dr. HAMRE. No, sir, that is not the goal. The goal is as low as we can get it. That is, I think, just the best we have got right now. It is not meant to me to represent that that is the goal. We can certainly do better than that.

Senator COHEN. As I understand it, there has been no mandate to use credit cards for lodging and meals? You have encouraged maximum use but you have not mandated it. Why not mandate it?

Dr. HAMRE. May I just take a moment to explain. I have a problem with—and I consider it my problem—with the credit card in that I am a bit disappointed with some of our performance, as a Department, in using the credit card. The delinquency rates are higher than I wish they would be. And so, I have got a double problem. On the one hand, I need to expand the use of the credit card for the travel reengineering and, on the other hand, I have got to make sure that there is good order and discipline in the use of the credit card, itself.

Our delinquency rates are, as I said, higher than I wish they were. We are a system that has been cash oriented for so long, we have had too many of our people simply use the credit card to go get cash out of a machine. I would like to tell you that we did not have some abusers, but we have had some abusers in that area.

So, I am caught in a tension with two equally compelling goals: to expand I have to make this credit card work, I have to make it work. It is the centerpiece of our new travel system. On the other hand, I cannot flood the system and mandate it and not have fixed the underlying problem.

So, we went to some effort last year to design what we call chain-briefings, where the first person who gets the briefing is the commander and he gives it to all of his subordinates and then they turn it around and give it to the first sergeants and the first sergeants give it to everybody in the field: to try to say, how do you properly use this card? It is not proper use of this card to go and get cash out of an ATM machine for a weekend when you are not travelling.

So, we have two goals and I have got to make it work. And we are committed to using the credit card to make it work. We have to in the long run. But I would ask you to understand that I have got a broader problem right now than just mandating the credit card for travel and I have got to get that part of it fixed. Frankly, we have to get at some of the bottom-feeders that are not fair actors in this area.

Senator COHEN. I think in your opening statement, you had something like 3,000 people involved in the processing of the vouchers.

Dr. HAMRE. Yes, sir.

Senator COHEN. And some 700 voucher processing locations?

Dr. HAMRE. Yes, sir.

Senator COHEN. How many have been reduced from the 700 in the past year when you first appeared before me?

Dr. HAMRE. Can we get that for the record for you, sir? Part of it is the normal consolidation of our finance and accounting operations. I know we have consolidated about 100 of the 300 finance stations, but I am not sure that that correlates against the travel system. I will check that.

Senator COHEN. You have also said that your goal was to have a seamless, paperless environment?

Dr. HAMRE. Yes, sir.

Senator COHEN. When do you expect to meet that goal?

Dr. HAMRE. Here, I think, the dilemma revolves around some of the technical attributes. As I mentioned in my very brief statement, not all of industry can provide all of what we are currently

seeking. There are some remarkable things out there, there are some truly remarkable off-the-shelf systems. They do not, all of them, have exactly what we need.

Senator COHEN. Explain that a little bit because my next question was going to be in terms of using off-the-shelf, commercially available technology. You indicated before that it is not sufficient for your needs. In what way?

Dr. HAMRE. For example, most of the existing off-the-shelf systems for security purposes basically use a password technology.

Senator COHEN. IRS, I think, also uses that.

Mr. MUSICK. We use a password.

Senator COHEN. And you use it very effectively, right?

Mr. MUSICK. Yes, sir.

Senator COHEN. Why could you not use IRS's password system to protect the system?

Dr. HAMRE. I am not that technically knowledgeable. I will have somebody make sure that we look at the IRS system so that if that is a doable approach we will be glad to look at it.

We are a very highly distributed organization. Our goal is, of course, for people to even be able to do it on their own PC at home at night if they want to through an Internet connection or something of that nature. In order to make sure that we are not passing over those connections, information that could be comprised, for example, credit card numbers—I mean I would want to make sure that if we have a technology that when we are transferring information, we are not compromising somebody's personal credit card.

There are lots of other security issues, inside, for example, the Internet which we are working with right now. That is part of the reason why the electronic signature, that we want to make sure that we do not have, that we are not passing information through the system that our system will routinely recognize as being valid, but it is being improperly used.

Forgive me, I am well beyond my personal technical competence to discuss that and I would be glad for our people to get together to go through that in detail. I understand that is one of the primary limitations.

Another limitation that we have is we are right now caught in the web of a lot of vendors who cannot move as fast as we want them to, to write software to update their systems. The primary system we are currently using in the Department is a four-person, only four people in the world that seem to know how to write the code for this operation. And with all of the changes I am trying to impose I have to make painful tradeoffs about, do I value getting it into the Marine Corps first or am I willing to wait to put this in the Marine Corps and instead turn these people over and have them write code for proportional rates for our per diem reimbursements?

I mean with only these small shops. So, frankly, I would guess it would be typical for all of my colleagues, while we want—this is one of the reasons we want to get it into industry, because we think they are going to be more responsive in being able to turn to rather than these dedicated hot-house industries that revolve around Government products only. I think we are going to do a bet-

ter job. But that is a limitation on whether we are going to get to be a seamless environment and a paperless environment.

Senator COHEN. How about overseas travel?

Dr. HAMRE. Overseas travel will—I am, personally, not as nervous about overseas travel being a problem. Right now, if I were to go to downtown Frankfurt, I can put my American Express Card in the machine and I could pick what currency I want to come out of it. Internet technology being what is it, we are going to be able to communicate back to home station, it is just a matter of time before it becomes perfectly seamless.

I am not so worried about overseas travel, sir. Now, the Department is not nearly as advanced in terms of office automation as we would like to think. We still have lots of places that are operating old stand-alone terminals that interface with a mainframe rather than being in an Internetted PC environment so there are a lot of disparate technologies that we are having to interface with as well, sir.

So, when will we get perfectly paperless and seamless? I think that is probably three of 4 years into the future, I do not think that is immediate.

Senator COHEN. I am told that industry is concerned that the Department of Defense is planning to require vendors to provide both business and leisure travel services to DOD employees. The industry has commented that corporate and leisure travel are two very distinct specialties and they should, for purposes of negotiating the best deal for both the Government and the vendor, be separated.

Do you have any response to that?

Dr. HAMRE. Yes, sir, I do. This is an interesting issue. What we have had is we have had one of the services—in this case the Navy has tended to have separate contracts, their leisure contract and then a business contract. The Army and the Air Force have had a single provider that provides both leisure and business travel.

The reason that the Army and the Air Force went to a combined operation was because a lot of people, in their travel, tend to combine personal leave and business leave. I may take a trip and I am going to spend the weekend and I need some arrangements made and then I am back on travel. And it was just easier to have a single place to go rather than to book all of that, you know, with a Government business travel office. And then go over and book parallel arrangements with another vendor and try to merge them. I have to become the integrator as a traveller. And so the Air Force and the Army, several years ago, decided to go to a single arrangement.

Now, the Navy has had a preference for staying separate because, of course, they were generating revenues by having a commercial travel office with a modest rebate that would come back, and for leisure travel that was going into the MWR accounts.

And, so, it was, for accounting purposes, it was cleaner for them to have a track record of what could go into the Morale Recreation Funds, nonappropriated funds, as opposed to what would be a rebate coming back to the Government for appropriated activity.

We believe we can accommodate that with simple coding. I think the bulk of industry is not troubled by having a combined operation. And we think from a customer standpoint, me, the traveler

that it is preferable to have it integrated. It is not a final decided issue, it is probably our current inclination to go that way, but it is not a settled deal.

Senator COHEN. Final question in this line is that the industry apparently believes that a fee-based arrangement is much more effective in reducing the overall costs and yet, apparently, DOD's draft solicitation calls for a commission-based plan.

Dr. HAMRE. Sir, we did get that feedback in the draft solicitation. It is one of those things that we are going to be evaluating about the right way to go. I think it also dovetails with this issue of how do we structure the acquisition strategy? Are we going to go to a single, fully integrated set of contracts that we will have 12 regions? The downside there is that we may have 4, 5, 6 different vendors providing travel services and that means that I have to validate the computation methodology 4, 5, 6 different times. As opposed to a two-tiered system where there is a single integrated process country-wide and then individual CTOs would plug into that as a vendor.

That makes a difference in your thinking as to whether you would go with a fee or an add-value on basis. We have not settled it. We understand those inputs. We are very responsive wanting to understand and try to model this in our thinking before we come up with a final strategy. And we will be back in touch with industry when we go through that.

Senator COHEN. What is the time frame of that?

Dr. HAMRE. Colonel Arnold, who is the program manager for this says early summer we will be getting back with industry. We need to be making some of these decisions, frankly, in the next couple of months.

Senator COHEN. All right.

Mr. Wagner, the GSA is responsible for developing the policies and guiding the Federal civilian agencies' travel and relocation management and you testified that GSA is to provide leadership in the development of sound management practices. The JFMIP's travel management efforts have been ongoing now for about a year, and DOD is a little bit longer than that. The question I have is what has GSA done to provide leadership and to guide Federal civilian agencies in travel management?

Mr. WAGNER. Well, I guess I would use the JFMIP as maybe an example of how we will do a lot of things in the policy office. Dennis Fisher, our chief financial officer, participated very actively with the JFMIP and we, at least, to some degree see ourselves as a catalyst with the JFMIP pulling together all the different parts of Government to try and develop this approach and looking forward—see, I am new to this job and, in fact, this whole office is fairly new. I think the first major leadership thing would be to rewrite the travel regulations fairly quickly, fairly simply in language that everybody can understand.

Senator COHEN. And whose responsibility is that?

Mr. WAGNER. Mine.

Senator COHEN. And do you intend to undertake the rewriting of the regulations in plain, simple, straightforward, non-legalese, non-bureaucrateze, non-Congressionalese language?

Mr. WAGNER. Yes, very much so. [Laughter.]

Senator COHEN. Can you elaborate a little bit on that? [Laughter.]

I was trying to use simple words. [Laughter.]

The Department of the Interior Minerals Management Service has rewritten a lot of their regulations and the Small Business Administration went through some reasonable things.

In fact, there is a lot of plain English regulation writing happening in this Government. I see no reason for the travel regulations to be behind. In addition, we have a fairly extensive set of recommendations from the JFMIP which are relatively straightforward to implement.

I also think that as we go through this process we are going to find additional things to remove. Currently, there are 18 items requiring a receipt regardless of amount. I do not know why we should have items that somehow need to be treated specially if we are trying to simplify our regulations. By the way, what is a steam chair, just for my information?

Mr. WAGNER. You know, I do not really know. But you were quoting Mark Twain and I think it is when you see those movies of Mark Twain where he is on a steamer and he sits on that chair and they give you a blanket. And it probably literally is left over from the late 19th century, but I really do not know. That was just speculation on my part.

Senator COHEN. All right. Do you intend to develop a model framework based upon best business practices and to serve as a guide to the civilian agencies?

Mr. WAGNER. Yes. I have not figured out exactly how to do that yet. And when we do do that we want to do that working in concert with the agencies, the actual doing agencies. And we will be doing that.

Senator COHEN. Would you use a prototype travel process?

Mr. WAGNER. Yes.

Senator COHEN. There is the private industry travel process, would you use something like that?

Mr. WAGNER. We would use something like that. I think we would also may want to tune it to the Government. One discovers in trying to implement a private sector practice that you run into difficulties in doing it exactly as done in the private sector but we would, I think, pursue a model similar to that, greatly simplified. Recognizing, as Mr. Hoenig was mentioning earlier, there is a lot of value to innovation. We are not trying to build a pro crustean bed to fit everybody into it, but you build a pro forma process that others can implement with differences and then we start learning from their implementations to eventually—see looking farther in the future, Mr. Hoenig divided the world into the first year, the second year and the third year. It takes several months to revamp the way we do the regulations and there is a lot of activity going on, plus technology is changing the travel industry. We are going to need another look in about a year and probably another look a year again.

In fact, the way the world is changing, we may have to do it every year.

Senator COHEN. Exactly. How long do you anticipate it would take for the agency to see a new FTR?

Mr. WAGNER. I am still working on exactly how to do that.

Senator COHEN. Are you going to start from scratch?

Mr. WAGNER. Actually the approach I would probably take is to answer that question, yes, and no. That you need a picture of the whole thing of how to do it, but I do not want to get into the trap of doing the perfect totally rewritten travel regulations which come out a year in the future. I want to sort of build—and we are working with staff on how to do this—the first vision, how it should hang together and then take incremental steps toward that. Perhaps just abolish this section would be one of the incremental steps you could take.

I have seen—I come also out of the information technology world—I have seen a little too many of these global visions with the first milestones one or more years in the future that you never somehow seem to reach. But I do think you have to have a vision of where you are trying to go.

So it is from scratch with incremental steps towards it.

Senator COHEN. Is that a subliminal rejection of the call for a visionary Presidential candidate? [Laughter.]

Mr. WAGNER. As a member of the career work force, I respectfully am unable to answer that question.

Senator COHEN. All right.

So visionary is not all it is cracked up to be in terms of— [Laughter.]

You can remain silent. [Laughter.]

Mr. WAGNER. Thank you, Senator.

Senator COHEN. Now, what do you intend to do to discourage what I talked about before, the sort of proliferation of supplemental regulations?

Mr. WAGNER. I am trying to think about how to go about doing that. I, in fact, do not really know yet. I do think the major problem that we are going to have is not going to be with the leadership of the agencies. What we find is that there are—I will call them administrative constituencies—out there, which C. Northcoat Parkinson called the abominable “noman”—that is out there through the administrative things. And I can tell you that is a serious problem. And we have got to watch out that we do not get a proliferation of supplements and procedures but I am still trying to figure out how to go about doing that.

Perhaps, Mr. Hamre has some thoughts on how to do that?

Dr. HAMRE. I think basically it has to be a philosophy that we do not impose anything that industry is not basically doing other than what you absolutely have to have inside the Government and there is very little you actually have to have in the Government. I mean you have to have the authorization process because you are entering into an obligation and you have to have a process to validate the internal controls because you are responsible for that, because they are spending your money and then a final accounting for it. There is very little that has to be there.

And most of the people that argue for uniqueness, it is basically a rice-bowl issue, so just having a very clear—in this case, a vision thing—having a very clear vision about what you have to have in the Government and what you do not have to have in the Government. I think that is the best thing you can do. Because there will

always be people who will argue there is something unique about their operation. You just have to go back to first principles.

Mr. WAGNER. I think we will use the senior management of agencies. What we found with things like the purchase card which is a good way to reduce administrative costs is that there was a tendency in at least some places to write hundred-page manuals on how to use a purchase card which nicely uses up all of the administrative savings of using the card.

But through management of the agencies you can suppress 100-page implementation documents. I think we will follow similar processes here.

Senator COHEN. You also indicated that one of your mid-term goals was the benchmarking of internal agency travel processes and costs against the best practices in the private and public sectors. How do you intend to do that when most of the agencies do not know what their indirect travel costs are?

Mr. WAGNER. I think one of the ways is to start asking them. I think the work by GAO has already shown that some agencies can do it. And we will just have to encourage the agencies to have that ability. And, again, this cuts across, this policy office is a lot more than travel. We have a problem, in general, in that we are unable to benchmark administrative processes across the board, and that is something we have really got to do. The fact that they are the private sector has shown us the way in many areas.

Senator COHEN. Are you going to develop any cost data standards so that the agencies collect the costs in the same fashion?

Mr. WAGNER. We will try to do that. I think we have already done some work beginning in that area on how to do that.

Senator COHEN. Any findings or recommendations of the JFMIP that GSA does not intend to implement?

Mr. WAGNER. There is nothing we find objection to on the legislative proposal which is going through internal concurrence. You may see if some small specific pieces become controversial they may get dropped out as just to simplify getting things through. But I would say that 90-plus percent of what the JFMIP has said we think they are on the right track, they have done the right things and we see much of our job as implementing those recommendations. And, in fact, if we do not move forward on something it will be "A too controversial to move right now" call rather than a disagreement with the conclusion.

Senator COHEN. Your office is also responsible for any travel management centers and involving those in the agencies who choose to participate in that program, the travel TMC or travel agent program. The industry, as I understand it, is seeking to reduce the number of TMCs to one or two?

Mr. WAGNER. The travel management centers are really done in the Federal Supply Service, so we do not—

Senator COHEN. There is no control of that?

Mr. WAGNER. I suppose in an indirect way there is a policy oversight implication. For example, we certainly strongly encourage the use of travel management centers. But I would have to get back to you on specifics of plans within the Federal Supply Service.

Senator COHEN. Do you know how many TMCs the GSA uses?

Mr. WAGNER. About 120 right now.

Senator COHEN. Do you have any rationale as to why you need 120?

Mr. WAGNER. I do not know why we use 120 now. I do observe that in GAO's testimony that many, the private sector has found substantial savings through consolidation. But that process is being managed out of a different part of GSA and I would have to get back to you on that.

Senator COHEN. OK. Mr. Musick, the IRS is recognized as having one of the better travel management systems in Government, but I understand you began to reengineer, so to speak, back in 1985. That effort was halted in 1991 and you restarted the process again in 1994. How long would you say it has taken IRS to get to where it is today?

Mr. MUSICK. I would say it has probably taken about 6 years to implement the travel system. The reason we had to stop in 1991-1994 was we had eight stand-alone accounting systems that did not talk to each other.

And so we implemented a corporate accounting system for the entire service and some of the advantages we have with travel right now are because we can link the travel system to that accounting system. We can verify that employees are employees and we can process the payments electronically also.

But, just to bring up the travel system because of the stopping and starting, it was probably 6 years if you take out the 4 years we did to bring up the accounting system.

Senator COHEN. About 6 years?

Mr. MUSICK. Yes, about 6 years.

Senator COHEN. You generally reimburse the travel in what, five to 7 days?

Mr. MUSICK. Yes, sir.

Senator COHEN. That is pretty impressive, I would say. If you compare that to Congress, I hate to tell you what it takes up here to get reimbursed. [Laughter.]

But my credit card interest charges constantly cause me pain.

Do you accomplish it by using a direct deposit to employee accounts? How do you get such a quick turnaround?

Mr. MUSICK. No. We issue checks right now, but we are looking into the direct deposit. That goes back to the whole implementation of the accounting system.

As part of our verification, the National finance center in the Department of Agriculture runs our payroll. So, we transmit payroll data down, they process our checks and then we bring all that data back.

The first data we brought back are names of employees and, of course, the charges so we could post them to the accounting system. But we take the names of the employees and match those to make sure that the travel payments that we pay out are to employees.

The second piece of that and what we are looking into right now, is that if an employee has a direct deposit for purposes of payroll we want to try to bring that information back and allow them to have a direct deposit for purposes of travel reimbursement. That is something that we are starting to look into probably this fiscal year.

Senator COHEN. And you estimate that by doing that you save roughly—I think you used the automated travel system as opposed to the paper voucher—you save between \$14 and \$22 or about \$7 million a year?

Mr. MUSICK. That is correct. We did not do that calculation. We got this information from both our internal audit and from the GAO because we were still implementing the system in our national office the last fiscal year. And while we were doing that, they were in there doing their studies. So, that is preliminary information that they had provided us showing numbers anywhere from \$31 to \$37 or \$38 for an automated voucher versus around \$54 or \$55 for paper.

Senator COHEN. The question is do you realize the savings from eliminating the paper or are there other costs that are saved?

Mr. MUSICK. Well, the costs that we saw and I think that was probably most important to us, and why we wanted to move to implement it, is in the regions that had brought it up earlier in the late 1980s saw—and we do not have any hard numbers on this—but we saw that where we had 15 to 20 people sitting in an IRS regional office processing paper travel vouchers, it went down to 2 or 3. In our national office, as of a year or so ago, we had probably 15 or 16 people. We have lost 5 or 6 and have had no need to replace them because of the fact that more people are using the automated process.

So, we see the savings from a salary standpoint there. And I think the other part of the savings that I think is very important is that managers and employees do not have to worry about per diem rates changing, worrying about if it is the right amount because we can handle that in the system for the entire country. When an employee gets on, and if they took a trip to Atlanta, the system tells them what the per diem rate was in Atlanta, and they do not have to key that in. So, we modify that and change it. If the mileage rates change, the system will be changed so that they just put in that it was standard use of their vehicle, and the mileage is calculated for them.

So, there is an awful lot of savings there. In addition, the time to approve is saved and the fact that travelers do not have to sit down and fill out a lot of paper vouchers is time saved.

Senator COHEN. If you look at that chart over there, the current civilian travel process, you can see exactly how complicated the current system really is. We have multiple travel audits. Everyone is being checked constantly at every step of the way in order to prevent the element of fraud and abuse taking place. So, how does the IRS handle this? You do random audits, do you not?

Mr. MUSICK. That is correct. The system generates a random sample. But, as I mentioned earlier, one of the things we did in 1984 is that we talked to GAO and our internal audit people and they said you have to be concerned about safeguards, and you have to be concerned that the system is auditable.

The travel system is probably audited almost every year, if not by our internal audit, then we have GAO. We do have password protection that I mentioned already. There are two levels of passwords. You need a password to get into the system and you need a password to get into the software. And if you really think about

it, it is four passwords because then the approver has to have the traveler's password to get into the system and the traveler's password to get into the software to approve the voucher.

The second thing we do is those passwords are bumped up against the table to ensure that they are authentic. The third thing we do, I have mentioned to get a payout of our system you have to be in what we call our vendor file. And we bring that back from the National finance center electronically and match those names with our employees so that they are in there.

The other thing we do is if there are changes to voucher, the signature becomes invalid, and the employee has to resubmit the voucher through an electronic process. But once the voucher is approved, then it cannot be resubmitted and it has to go to a manual process in order to check if there is a reason for the errors or corrections.

And probably the last thing we do is that we do not allow remote locations to access us. You cannot process a travel voucher from home. You have to be in an IRS location and within the IRS network to ensure the security of the transaction. Finally, we do a random sample. Those things individually may not seem like a lot, but when you take those as a whole, we think we have got pretty much enough safeguards that we can prevent a lot of problems and a lot of security issues.

Senator COHEN. Dr. Hamre could it be implemented with DOD or do you see problems with that?

Dr. HAMRE. I think therein lies one of the problems. If I understood the answer, I think that IRS has its own kind of internal network that it limits and does not pass information outside of that network. We are such a massive organization with so many disparate locations we will probably go to a much more open technology, communications technology which is one of the reasons why simply a password only technique for security does not meet the test.

We have received waivers from GAO on the current process. For the long run we need to do something about it. Now, we have a very robust distributed security system that we are fielding called FORTEZZA, that is designed for big secrets. The question is whether we want to take the costs of FORTEZZA and impose it across our system. I mean this is a nontrivial expense. Or whether we can find a software solution that is cheaper and more easily deployed.

That is one of those tradeoffs that we are going to be going through over the next 6 months.

Senator COHEN. Mr. Musick, one final question, you testified that the IRS cannot create parity with the private sector until there is some relief from some of the regulatory requirements that add nothing to financial integrity and you gave three examples of recommendations to relieve unnecessary administrative burdens.

Do you have any estimates as to what it costs IRS to comply with these requirements?

Mr. MUSICK. No. I have not estimated those costs. But I think we see a number of things that we can do electronically. Since the software is used across the country we can quickly make changes. One example, is that employees will not have to put in the departure times and dates, and that change would be very easy for us to implement.

But what we found is that there is an awful lot of confusion about the current quarter system for first day and last day.

Senator COHEN. You want to explain that?

Mr. MUSICK. I can try.

Senator COHEN. It is very confusing to me.

Mr. MUSICK. What happens generally is you break the day up into quarters. And depending on what time of the day you leave or the time of the day you return, you get full reimbursement for per diem or you get two quarters, three quarters or one quarter. And what we have found is that in just looking at that, that if you go to something that is simple and say, we are only going to authorize a partial amount, 75 percent, it is just as simple and just as easy, and would probably cut down on loads of questions that we get in our office. And a lot of those are the questions we get on how to interpret that and what it means.

Senator COHEN. So, if you take the clock and you divide it into four quarters and you go one minute over one quarter you get a different kind of reading?

Mr. MUSICK. That is right. You will get a different kind of rate than if you put it a minute before that.

Dr. HAMRE. It tended to change the behavior of the traveler.

Senator COHEN. Gentlemen, thank you very much for coming this morning. One thing that comes out of this hearing is how enormously complex the entire system is. And even as we seek to simplify it, which is our goal, and to go from the current civilian travel process—that chart—to the next one which is the private sector model, there still are enormous complexities that we have to contend with in order to ensure that we are not only spending the money wisely but we are also preventing the kind of abuse that the government is so often criticized for.

Dr. Hamre, you wanted to make a comment?

Dr. HAMRE. Sir, there are a few minor legislative impediments we would like to propose to you that we could change. We do not need to take the time now in this hearing, but there are a number of things—I would not say they are big, but there are a few things that we need to tackle.

Some of them are Government-wide. I mean, for example, you heard about the telephone thing. Back in 1938, when a telephone call out of a hotel was a big deal, you know, they put in the requirement that you have to provide a receipt. I mean now it is so conventional it is bizarre but, yet, we still, by law, have to provide receipts. So, I mean there is something like that. In the DOD, unique to DOD, we currently require, Congress through legislation requires us that we must place civilians in Government quarters when they travel unless they cannot get in.

What we would like to do is go to a Department-wide system where whether it is civilian or military, enlisted or officers that the mission dictates where you stay, not an arbitrary rule. In many cases we are going to continue to stay on post and would try to but not in all cases. Right now we have to go through a cumbersome process. That would be something that would be very helpful if we could have that removed or modified.

So, may we submit to you a few things like that?

Senator COHEN. Absolutely. Part of the legislative process is not for us to simply pass laws and dictate things for you to do but for you, who have to abide by them, to come forward and say, this does not make sense, change the law, and then we can accomplish the goal.

So, absolutely, you submit the list of recommendations and we will see whether or not they are politically viable, and whether we can get support for doing them.

Dr. HAMRE. Yes, sir.

Mr. WAGNER. Mr. Chairman, if I could correct, I said earlier that we had 120 travel—it turns out there are 120 that we do on behalf of the Government as a whole and GSA's subset is probably about 12 or so. I apologize for that mistake.

Senator COHEN. The record will stand corrected.

Again, gentlemen, thank you very much and the Committee will now stand adjourned.

[Whereupon, at 11:46 a.m., the Subcommittee was adjourned.]

APPENDIX

GAO

United States General Accounting Office

Testimony

Before the Subcommittee on Oversight of Government Management and the District of Columbia, Committee on Governmental Affairs, United States Senate

For Release on Delivery
Expected at
9:30 a.m.
Friday,
March 8, 1995

GOVERNMENTWIDE TRAVEL MANAGEMENT

Federal Agencies Have Opportunities for Streamlining and Improving Their Travel Practices

Statement of Christopher W. Hoenig
Director, Information Resources Management/
Policies and Issues
Accounting and Information Management Division



Mr. Chairman and Members of the Subcommittee:

I know that you and other members of this Subcommittee are deeply concerned about finding ways for federal agencies to cut costs and streamline operations. That is why I am very pleased to be here today to discuss governmentwide travel management, ways in which it can be improved, and the efforts underway to do so.

Federal executives, operating in the current environment of reduction and change, face a difficult challenge. They must cut costs while still maintaining, if not improving, operations. Most efforts that have attempted to address this challenge have had to come to grips with the difficulties of change—change is easy to talk about, but it is much harder to accomplish. It is usually much easier to cut, than it is to improve. Indeed, there has been a growing acknowledgement within government that what is needed is a revamping of how the government does what it does. Real change, concrete improvements, and substantive cost savings will not occur until underlying processes are systematically reassessed and reengineered.

One area with great potential for reengineering is travel management, and with good reason. In fiscal year 1994, the federal government reported travel obligations for individuals of about \$7.6 billion—about \$5 billion for the Department of Defense (DOD) and about \$2.6 billion for the civilian agencies. This amount was for direct costs (i.e., costs directly related to travel, such as transportation, lodging, rental cars, etc.) related primarily to two types of travel—temporary duty (TDY) and permanent relocation. The General Services Administration (GSA) currently negotiates some of these direct rates with travel vendors, at significant savings to federal agencies.

However, another component that often gets hidden is the administrative cost of arranging and processing travel. This cost includes arranging travel, getting it approved, and reporting travel expenses, as well as the organization's cost for processing, auditing, and reimbursing the travel. These administrative costs can be significant, into the

hundreds of millions of dollars, especially when considering the number of travel authorizations and vouchers that are processed each year.

There are a number of private-sector companies who have set themselves apart from other organizations, both public and private, by streamlining and automating their travel processes and adopting a common set of best practices. In doing so, millions in administrative costs have been saved. A handful of federal agencies have also begun to implement best practices and reduce costs. There is no reason, however, why all federal agencies cannot achieve comparable results. With some variation, the essential elements of travel are similar for almost any organization, private or public. And the costs for improvement are low, especially given the potential return—hundreds of millions of dollars could be saved.

Mr. Chairman, because of the interest you and other members of this Subcommittee have shown in the demonstrated improvements of these leading organizations, we set out to discover how they manage travel, what practices and strategies they followed to get there, and how federal agencies compare. Last March, we reported to this Subcommittee on our work assessing and comparing DOD's travel practices to those of two leading organizations.¹ Now, at your request, we have analyzed the travel practices of civilian federal agencies and compared them to leading organizations. To do this, we obtained cost and process information from three leading organizations, and additional process information from a fourth. We then conducted a survey at 70 executive-branch civilian agencies (who represented 92 percent of total travel obligations for executive-branch agencies for fiscal year 1994). We received responses from 64 agencies (a 91-percent response rate). Finally, we conducted case studies in specific locations at three agencies to gain additional information on how travel is arranged and processed.

¹Business Process Reengineering: DOD Has a Significant Opportunity to Reduce Travel Costs by Using Industry Practices (GAO/T-AIMD-95-101, Mar. 28, 1995) and Travel Processing Reengineering: DOD Faces Challenges in Using Industry Practices to Reduce Costs (GAO/AIMD/NSIAD-95-90, Mar. 2, 1995).

As the information is presented, it is important to keep a couple of points in mind. First, we only looked at TDY travel that is conducted by regular federal employees as part of normal business operations. Second, while we developed standard cost and process elements to help provide assurance that the cost numbers are comparable, because organizations used different methods to identify these numbers, some may not be exact comparisons. Third, all of the cost estimates are sensitive to the time and salary estimates that the agencies and organizations provided. Fourth, most of the cost and processing information was self-reported. While we assessed the reasonableness of various cost and process elements that were provided, we did not independently verify all of this information. Finally, in addition to cost, there are other factors and trade-offs, such as quality, levels of risk, and the size of the investment of modernization, that must be considered when assessing and redesigning processes. For instance, an organization may be able to reduce administrative costs by eliminating process steps; however, without also ensuring that appropriate internal controls remain in place, the increased risk of fraud and abuse may outweigh any savings that are achieved. We did not address these other factors.

What Are Leading Organizations Doing and How Does the Government Compare

What we found was that leading organizations have cut administrative costs—some cut expense report processing costs by more than 80 percent—and time—what once took 3 weeks can now be done within 48 hours—as a direct result of reengineering how they arrange and process travel. Their total administrative costs per trip now range from about \$10 to \$20. They achieved these improvements by consolidating travel management and processing centers, eliminating unnecessary review layers, simplifying the travel process, and streamlining and automating the expense reporting process and integrating it with the financial system.

Most federal agencies' administrative travel costs and processes, on the other hand, lag behind those of leading organizations, although some agencies have begun to close the

gap. Many agencies have not determined what their administrative travel costs and processes are, and for those agencies for whom costs were determined, their administrative costs per trip ranged from about \$37 to \$123–1 and a half to 12 times more expensive than the leading organizations. Many federal agencies use numerous processing centers, require multiple travel documents, and fill out these travel documents manually or maintain travel systems that do not have an agencywide automated interface with the financial system. Part of the problem has been that a primary focus of many federal agencies' travel management has historically been on maintaining and monitoring compliance, rather than on managing costs and efficiencies.

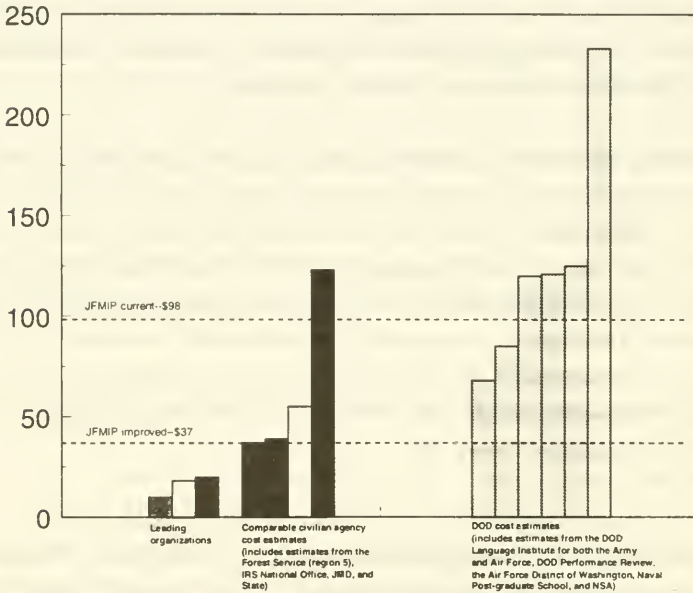
This is not to say that all federal agencies' processes are poor or that administrative costs are high. Indeed, most agencies' travel costs and processes lie along a continuum of performance. Some agencies, in fact, have reduced their administrative costs to levels that begin to match those of leading organizations. The Internal Revenue Service (IRS), for instance, has reported total administrative costs of about \$39 per trip, while the Forest Service (region 5) has reported administrative costs of about \$37. And there are also several agencies, including GSA and the Departments of State, Transportation, Defense, and Energy, who have initiated pilots that could go a long way to improving operations and reducing administrative travel costs.

The first figure shown here (see figure 1) provides a listing of estimated total administrative costs for the leading organizations and four civilian agencies. The chart also shows administrative cost estimates developed by six DOD agencies, although these estimates may not be fully comparable. In addition, the chart highlights two estimates—current federal agency costs per trip and improved costs per trip—that were developed by

a travel improvement task force from the Joint Financial Management Improvement Program (JFMIP).²

Figure 1: Administrative Cost Estimates for Leading Organizations and Federal Agencies

Total administrative
costs per trip in
dollars

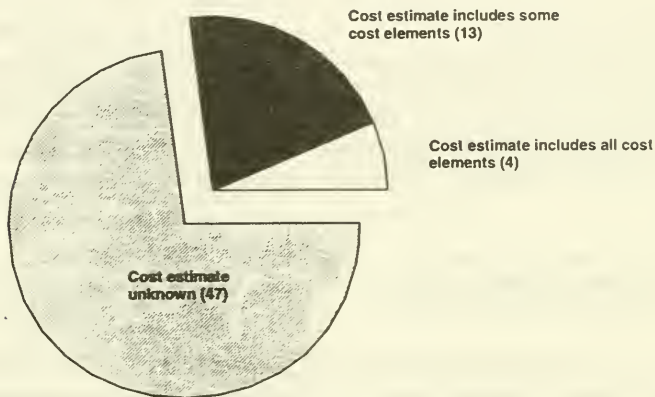


Note: DOD's cost estimates may not be comparable because they may not include all of the same cost elements

²JFMIP is a joint cooperative undertaking of the Office of Management and Budget, the General Accounting Office, the Department of the Treasury, and the Office of Personnel Management, working in cooperation with each other and with operating agencies to improve financial management practices throughout the government. The JFMIP travel improvement project team was established in 1994 to address travel reengineering. Its focus was to reinvent policies and remove impediments that affect TDY and relocation travel within the federal government. The task force identified 9 recommendations for improving TDY travel and 16 for improving relocation.

We have also included a second figure (see figure 2) to show where agencies stand in their identification of administrative costs. The chart breaks the agencies into three groups—those that could identify all administrative costs, those that identified some of their administrative costs, and those who could not identify any of their administrative costs.

Figure 2: Number of Civilian Agencies Who Have Estimated Their Total Indirect Costs Per Trip



Total number of agencies: 64

Finally, the following table lists the travel practices of the leading organizations and compares them to the practices of federal agencies, as found in our survey.

Table 1: Travel Practices of Leading Organizations Versus Federal Agencies

Leading Organizations	Federal Agencies
Mandate use of corporate charge card for most expenses (transportation, lodging, cash advances, etc.)	Encourage use of corporate charge card, but do not always require • 45% (29) require use for transportation costs • 34% (22) require use for lodging costs • 55% (35) use it as primary means of issuing cash advances
Eliminate front-end travel approval	Federal travel regulations (FTR) require approval before travel
Reduce number of travel agencies used • number used ranges from 1 to 3	Use numerous travel agents (as required by GSA) • number used ranges from 1 to 175 • median response was 16 • 12 use 1 agency
Consolidate processing locations • three use 1, the other uses 2	Process travel at numerous locations • number ranges from 1 to 1,494 • median response was 9 • 17 use 1 processing center
Use one form to record expenses	FTR require multiple forms for advance, travel authorization, and travel voucher • Four agencies have one form for both authorization and voucher
Use one integrated travel system	Use several systems consisting of both manual and automated processes • 18 reported that they had one integrated system

Total indirect costs per trip range from about \$10 to \$20	Most agencies cannot determine administrative cost • 17 identified at least some portion of their total administrative costs • Total administrative costs per trip for those for whom all costs were determined range from about \$37 to \$123
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How Did the Leading Organizations Get Here

When looking at the leading organizations and what they have accomplished, it is important to remember that all of them found themselves, at one point or another, in a situation very similar to where many federal agencies now stand--they had to reduce costs, while at the same time dramatically improving service to the customer. These leading organizations set out to rethink and redesign how their financial management processes, including travel processing, were conducted. In doing so, the leading organizations shared many of the same characteristics:

- they generally assessed travel management as part of a larger, financial management reengineering effort,
- they benchmarked themselves against other recognized organizations, and
- they instituted a common set of best practices.

The strategies used by these leading organizations in reengineering and adapting their practices can be grouped into three common areas: consolidation, simplification, and automation and integration. By addressing all three of these areas, the organizations were able to achieve dramatic cost and process improvements.

Consolidation

A travel manager from one of the leading organizations told us that after assessing current practices and processes, the first thing he would do when embarking on an improvement effort would be to consolidate operations. Before they started reengineering, leading organizations had business units that operated independently. Each unit was responsible for making travel arrangements and for processing their own travel. For instance, one organization was processing expense reports at over 300 separate locations. These decentralized operations can (1) lead to duplication of effort because each unit has to be responsible for similar processes, such as reimbursement and expense processing, (2) reduce opportunities to achieve economies of scale, (3) make organizationwide travel policy enforcement more difficult and inconsistent, and (4) hinder the organization from gathering and maintaining organizationwide travel data.

Leading organizations realized that they could cut costs and improve service by having central, organizationwide sources for making travel arrangements and for processing expense reports. They also established a central travel management group to oversee organizationwide travel and to establish, monitor, and enforce travel policies.

As processing locations were consolidated, the organizations found that they were able to reduce costs and cycle time. They also began to maintain travel data on the organization as a whole. These corporate travel data can be particularly helpful in negotiating rates with vendors.

The leading organizations also reduced the number of travel agencies that they were using. There are several benefits that can be gained from this. For instance, this can (1) assist in uniform monitoring and enforcing of the organization's travel policies,

(2) ensure consistency in how services are provided, and (3) provide management reports on the travel patterns of both individual travelers and the organization as a whole. This travel information is particularly helpful in monitoring policy compliance, tracking travel trends for negotiating rates with travel vendors, and for comparing actual to reported expenses.

Simplification

The second strategy used by leading organizations was to simplify operations, for both the traveler and the organization. Such simplification includes eliminating the need for front-end travel approval and consolidating all expense reporting on one form. Two of the organizations even automated the expense reporting process once they had decided on a streamlined reporting structure. A travel manager from one of the leading organizations noted that prior to reengineering, up to seven signatures were required to approve one expense report; now the expense report is automated and the only approval step occurs at the back end of the process after the voucher has been processed. Consolidating information also cuts cycle time, makes it easier to track costs, and provides easier access to data because all information is maintained in one central location.

Leading organizations also simplified and streamlined operations by mandating the use of charge cards for all transportation and lodging expenses, as well as for cash advances, cost areas that can account for 80 to 90 percent of all travel expenses. One organization, in fact, requires an explanation for any instance in which the corporate charge card is not used for at least 90 percent of all business travel expenses.

A key benefit of using a corporate charge card is eliminating advance processing costs and cycle time. Under the old system, a traveler would have to spend time filling out an advance request form and getting it approved by a supervisor. The organization would also have to keep an amount of petty cash on hand at various cash windows.

And the organization had to track and reconcile each cash disbursement that occurred. By mandating charge card usage for cash advances, an organization can eliminate the processing time and costs for getting the advance, no longer has to maintain petty cash at cash windows, and can conduct one reconciliation for all travel expenses. Other benefits of using a corporate charge card are that it provides greater cash management and establishes better information management.

Automation and Integration

Finally, once leading organizations had assessed and consolidated their current processes, they looked to use automation to further simplify and streamline operations. They integrated expense reporting with travel expense processing, built policy conformance checks into the travel system, reimbursed travelers electronically, and developed a management information system to maintain the travel data that were being gathered. Maintaining this information gives an organization the specific information it needs when negotiating rates with travel vendors and setting predetermined travel costs.³ It also helps to track and enforce policy compliance and provides greater assurance of data integrity.

As mentioned previously, two of the leading organizations we talked to developed an automated expense reporting system as part of their consolidation and simplification efforts. The expense reporting systems they developed are user friendly and provide various aids to the traveler, including calculating expense totals and maintaining current per diem rates.

³A predetermined travel cost (PTC) is an estimate of expenses, including transportation, lodging, and other definable expenses (rental cars, etc.), that will be incurred during a trip. This estimate is derived by constructing foreseeable travel costs before a trip begins and expenses are incurred.

One organization's system builds policy compliance into the traveler's expense reporting by using a series of prompts and questions to highlight exceptions to policy. The system prompts the traveler to provide reasons whenever a response deviates from policy, such as using a noncontracted vendor or exceeding per diem rates. The system highlights the exceptions to the approving supervisor, who must approve all of them before reimbursement can occur. The system also produces a report that highlights to senior management all approved exceptions.

Another benefit of automation is the reduced cycle time provided by electronic reimbursement. For instance, prior to implementing their automated systems, it took two leading organizations over 3 weeks to reimburse travel expenses. Now a traveler can travel one day, submit an expense report the next day, and be reimbursed the following day.

A final benefit of automation is that all travel information can be maintained in a central repository. As one travel manager from a leading organization noted, "travel management is really about information management." The information that is gathered can come from a variety of sources, including the charge card company, booking information from the travel agency, and expense information from the expense reporting system. This information is useful to analyze and compare what was booked, what was charged, and what is claimed.

Issues Facing the Government As It Looks to Improve

Mr. Chairman, a question you or others may be asking now is whether federal agencies can match what these leading organizations have done. The answer is yes, but there are many factors and issues, ranging from governmentwide policy, technical, and regulatory issues to agency-specific union and culture issues, that have to be taken into account. I would like to highlight a couple of the key issues.

The first issue facing agencies is the lack of accurate, up-to-date information related to travel costs and processes. Such baseline information is essential to measure progress and to ensure that the organization is focusing its improvement efforts on the most critical areas. Without accurate baseline information, organizations can waste valuable time and effort investigating technological solutions without truly knowing what process problems they are trying to solve. In addition, if the organization does not know where it is starting from, it is very difficult to measure what progress has been made. One travel manager from a leading organization summed it up by noting that you can't travel cheaper until you know exactly how you travel.

It appears that many federal agencies may be going ahead with improvement projects, including the acquisition of automation, without first assessing what their current situation is. For example, in response to our survey, 25 agencies said that they recently revised their travel processes, but only 11 of these agencies reported that they had assessed their current processes. As we have highlighted in previous reports,⁴ the risk of automating without analyzing current processes is that hardware and software may be acquired to automate the inefficient processes that are already in place.

The Justice Management Division (JMD) within the Department of Justice, for instance, recently acquired a travel system to streamline operations by producing travel authorizations and vouchers and providing for electronic approval of these documents. JMD plans for this system to be fully integrated with the financial system. However, this does not occur now. As a result, the travel system produces a hard-copy version of the voucher and information from the voucher must then be

⁴USDA Restructuring: Refocus Info Share Program on Business Processes Rather Than Technology (GAO/AIMD-94-156, Aug. 5, 1994) and Veterans Benefits: Acquisition of Information Resources for Modernization Is Premature (GAO/IMTEC-93-6, Nov. 4, 1992).

manually reentered into the financial system. Such duplication is inefficient and introduces a risk of data error during reentry.

As agencies look to automate their travel systems they will also have to ensure that they incorporate adequate controls, as noted in Title 2 and Title 7 of GAO's Policy and Procedures Manual for Guidance of Federal Agencies, to ensure the integrity of the data. We have issued several reports emphasizing that improvements to streamline employee travel payment processes should be made only within a framework of adequate, cost-effective controls that reasonably ensure that payment transactions are properly authorized and sufficient records of these transactions are maintained.⁵

One area where this has drawn particular attention is in the approval of authorizations and vouchers through the use of electronic signature.⁶ We have previously reported that to provide adequate safeguards, an electronic signature should be (1) unique to the signer, (2) under the signer's sole control, (3) capable of being verified, and (4) linked to the data in such a way that if the data are changed, the signature is invalidated. The National Institute of Standards and Technology (NIST) has established procedures for the evaluation and approval of certain electronic signature techniques to ensure the integrity of the data and compliance with the previously mentioned criteria. Several federal pilots, including the Corps of Engineers, the Department of Energy, and DOD, are currently working with us and NIST to address these concerns and develop standardized systems that can be used by other agencies.

⁵See Employees' Travel Claims (DOD) (GAO/AIMD-95-171R), Employees' Travel Claims (USIA) (GAO/AIMD-95-138R), Air Force Automated Travel System (GAO/AIMD-95-74R), and Employees' Travel Claims (State) (GAO/AIMD-95-71R).

⁶An electronic signature is a symbol, representing an individual or entity, that can be used to validate the sender's identity and the integrity of the critical information received from the sender.

Another factor that will have to be addressed as agencies look to reengineer travel is the federal travel regulations (FTR), which govern how federal travel is to be conducted. For instance, the FTR say that a traveler must obtain both a travel authorization (pre-trip) and travel voucher (post-trip) and that travel approval for both must be given by an authorized official. In its report on improving governmentwide travel management,⁷ the JFMIP travel improvement task force made nine recommendations for improving how TDY travel was processed. Of these nine recommendations, the task force estimated that eight would require some regulatory change, and the final recommendation will require both legislative and regulatory changes.

Federal Efforts Show Promise

All of this is not to say that improvements have not been made, or that little is being done in the federal government. On the contrary, there is a great deal of momentum for changing how travel is arranged and processed. For instance, 50 agencies in our study said that they planned to implement a revised travel process or that they were planning to revise in the near future.

Some federal agencies have already begun to implement many of the best practices and reduce administrative costs. IRS, for instance, processed 83 percent of its fiscal year 1995 travel vouchers using an automated travel system. Travelers enter information in to the travel system and this information is transmitted to a supervisor who approves it electronically. The travel system is integrated with IRS' financial system, where the travel information is processed once approval has been given. The information is then uploaded into Treasury's system for reimbursement.

⁷Improving Travel Management Governmentwide, Joint Financial Management Improvement Program, December 1995.

There are also several federal agencies who have initiated pilots, some that are quite aggressive, that demonstrate the improvements that are possible. These efforts include the following:

- A Forest Service improvement team assessed its processes and found that almost half of its processing steps added no value to the processing of a travel voucher. It has now made several recommendations about how travel processing can be improved.
- The State Department studied its travel process and found that it could reduce its indirect costs by \$18 to \$72 per trip. State also received waivers from the FTR and developed one form to be used for both travel authorizations and vouchers.
- An internal GSA improvement team has proposed, and is beginning to move towards, an even more streamlined approach for GSA in which all paper travel documents would be eliminated.

Other agencies that have ongoing pilots include the Departments of Transportation, Defense, and Energy.

In addition to these agency-specific efforts, the JFMIP travel improvement task force, made up of representatives from several agencies across government, has assessed both TDY and permanent relocation travel and estimated that hundreds of millions could be saved by implementing a number of key recommendations. These recommendations mirror many of the best practices of leading organizations, including requiring the use of a corporate charge card and consolidating and automating travel data.

What Needs to Be Done

In summary, Mr. Chairman, there are many things that can be done to move the government closer to the performance of leading organizations. First and foremost, agencies need to assess their costs and processes and establish a baseline of current performance. As I mentioned earlier, tremendous gains are possible by rethinking and redesigning travel management. However, it will be difficult for agencies to decide where to start and to measure progress until they assess where they are now. Some of the necessary information will be gathered as part of the requirements of the Chief Financial Officers (CFO) Act, which requires that agencies provide complete, reliable, and timely information regarding the management activities of the agency. However, agencies will still need to work to develop and assess other travel-related information. As agencies develop this baseline, they should also look for areas where operations can be streamlined and consolidated.

We also strongly urge agencies to study and implement the practices and approaches identified by the JFMIP travel improvement team. Everyone should eventually be at or near the savings levels offered by JFMIP; IRS and the Forest Service have already shown that achieving these levels is possible. However, reaching this goal is only a start. As the travel improvement team noted, the improvements they recommend are just the beginning. Continual assessment and improvement will help agencies move even closer to the results achieved by leading organizations.

Finally, agencies should always be looking for new ways to build and learn. Such learning can occur on two levels. First, agencies can learn from the successes and failures of other organizations, both private and public. Second, they can pilot projects of their own, build on the lessons that they learn, and then look to share this information with others.

In conjunction with agency efforts, GSA, as the government's primary manager of travel policy, should take the lead to oversee the various travel improvement efforts that are planned or underway. Such oversight may include the establishment of travel data standards, a cross-services directory, and an applications directory. GSA should also form a users group to facilitate the sharing of knowledge and information. Such a group, in coordination with other interested parties, including JFMIP and the CFO Council, will go a long way to speeding the successful application of the practices and guarding against redundant actions. Finally, GSA needs to assess and revise the FTR based on the suggestions of JFMIP and lessons that are learned.

In addition, we encourage the ongoing interest, support, and oversight in this area by congressional committees. The progress of agencies and GSA should be monitored to ensure that all are moving towards the improvements listed here and in the JFMIP report--helping to get higher, better value for the public's dollar by operating more efficiently.

Mr. Chairman, this concludes my statement. I would be happy to answer any questions you or other members of the Subcommittee may have at this time.

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SENATE COMMITTEE ON
GOVERNMENT AFFAIRS

STATEMENT OF
UNDER SECRETARY OF DEFENSE
(COMPTROLLER)
JOHN J. HAMRE

BEFORE THE
SENATE COMMITTEE ON GOVERNMENT
AFFAIRS,
SUBCOMMITTEE ON OVERSIGHT OF
GOVERNMENT MANAGEMENT AND THE
DISTRICT OF COLUMBIA

IN CONNECTION WITH
TRAVEL MANAGEMENT AT THE
DEPARTMENT OF DEFENSE
MARCH 8, 1996

FOR OFFICIAL USE ONLY
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SENATE COMMITTEE ON
GOVERNMENT AFFAIRS

Mr. Chairman, members of the committee, it is my pleasure to be here once more to address you concerning the status of the Defense Travel Reengineering initiative.

One Year Ago

Nearly one year ago I came before you to describe how the Department of Defense would begin to take apart our old, outdated business travel system and build an entirely new one, employing the best business travel practices available. Our vision was a seamless, paperless system that: meets the mission needs of travelers, commanders, and other travel resource managers; reduces the cost of travel; and, provides superior customer service. Today, I am happy to report to you that we are much farther along the path to that new travel system. We have made great progress in many areas, ranging from fundamental cultural changes to cutting-edge technological improvements. Although we have made major improvements in the travel system, the journey, however, is not yet complete.

I then spoke to you about ten guiding principles that we were to integrate throughout this change initiative. Briefly those principles that are embodied in our concept of operations are:

1. Travelers and supervisors are honest and responsible.
2. Allow the supervisor to control his or her travel budget and approve vouchers.
3. Implement simple clear rules to govern travel.
4. Rely on one-stop shopping at a commercial travel office.
5. Consolidate the process into a single piece of paper.
6. Eliminate bureaucratic burdens on travelers.
7. Ensure prompt payment by government.
8. Minimize bookkeeping requirements.
9. Use best industry financial practices.
10. Continuously reassess for improvements.

These principles can be categorized into these three major areas: simplify the rules, delegate authority, and use best industry practices. All of the improvements we have made are based upon the fundamental premise that our travelers and supervisors are honest customers of the system.

Pilots

In order to test these principles in an operational environment, the Department has embarked upon a pilot testing process at 28 different sites representing each of the Services and several Defense Agencies. In June 1995, we had a conference with all of the pilot test organizations to begin the test process by providing them a general orientation to the new concept of operations as well as the specific guidance they would employ in their tests.

In September 1995, we invited representatives from industry to demonstrate vendor capabilities for personnel from the pilot test organizations. Personnel from the pilot organizations were able to examine the available software enablers and begin to finalize their test plans. It was very clear that even the private sector did not yet have all of the answers; we were clearly charting

some unexplored territory. At the conference, vendors developed new partnerships among themselves, consolidating their areas of expertise, to be able to meet the needs of our new concept.

A third conference with pilot organizations was held in January 1996 to review their progress-to-date and begin to resolve barriers they had encountered. Most of the pilots were actively engaged in testing key travel system attributes such as the delegation of travel approval authority, reimbursement via electronic fund transfers, and random audit of vouchers. Most of the pilots had selected one of five major commercial computation software programs to test. Pilot organizations also reported that the seven commercial vendors currently providing travel arrangement services would also be supporting their tests of the new concept. The barriers most commonly reported by the pilots were: electronic signature capability, receipt retention by the traveler, the validation of software enablers, and educating managers and travelers about their responsibilities under the new travel system.

The value of the pilot testing process is that it will provide us with an accurate baseline of the current travel process from which we will be able to assess the impact of the changes we want to implement across DoD. In other words, the pilots will serve as the means by which we establish "proof of concept." Our performance measures are direct costs, indirect costs, accomplishment of mission needs, and customer satisfaction.

The Department is establishing baseline data for the current travel process at each of the 28 pilot test organizations. The measured process begins with the initiation of a travel order and travel arrangements and it ends with reconciliation and payment of a travel voucher. Preliminary data collected and reported by several organizations suggests that the number of steps for preparing and approving travel orders and for preparing, computing and reconciling vouchers varies across organizations. The number of people, amount of time and associated cost to prepare and to process travel orders and vouchers also vary. Raw data reported by pilot organizations that are just beginning to implement travel reforms and software solutions indicate the current process takes -- excluding the traveler's time -- an aggregate of roughly 2 to 5 hours to complete with estimated labor costs of about \$45 to \$115. Reporting and verification of baseline data for the current travel process should be completed by May 1996.

The total expected monetary investments in technology and training to achieve a fully automated and integrated DoD-wide travel system have not been established. However, costs will be estimated as part of the acquisition planning process. Although total monetary investments for the new Defense Travel System have not been established, planned costs for the 28 pilot organizations to fully implement and test the reengineered TDY travel concept are estimated at \$4.1 million. This estimate includes the costs to acquire hardware and software, and to train approximately 32,000 travelers and users served by the pilot test organizations

We intend to collect the best data possible for our current and our new processes before implementing the new travel system. Let me now discuss with you the progress we have made to date in each of the major areas described above, the remaining barriers, and the steps we have planned toward implementation.

Simple Rules

Last year, Senator, you noted that waste most often occurs due to rigid rules and archaic procedures, not due to ill motives. We have taken that advice to heart. I then provided you a copy of our simplified entitlements. We have reduced a large, complex body of regulations down to those 17 pages of plain English that focuses on mission, provides discretion, and places accountability with a person we call the Authorizing Official, who is the manager in the field responsible for the traveler's mission. The use of all of these entitlements is currently authorized only for the 28 pilot organizations until the new Defense Travel System becomes a reality. However, we have been able to implement some of these simplifications throughout DoD beginning Fiscal Year 1996. These include:

75% M&IE First and Last Day: Rather than go through complex computations about time of departure and return on the first and last day of travel, we now authorize 75% of the M&IE as the standard reimbursement. The traveler now knows what to expect in terms of reimbursement and we have simplified the computations.

\$75 Receipt Threshold: We no longer require the traveler to retain receipts for travel expenses less \$75 with the exception of lodging receipts, thanks to the IRS change in policy. This reduces the burden of record keeping.

Paper Non-Availability Statement: One of the most common frustrations of the DoD traveler has been the requirement to obtain a paper non-availability statement from installation billeting offices when not staying on post. It is a time-consuming and bureaucratic process that is unnecessary in an age of electronic reservations. Last fall, I approved a policy change which eliminates this requirement if the traveler cannot establish a reservation with the billeting office prior to departure

Per Diem Delivery System: Closely related to the simplified entitlements that I have just discussed are the timely and accurate posting of travel per diem rates throughout the federal government. This is a joint responsibility of the Department of State, the General Services Administration, and the Department of Defense. Currently, the distribution of this important rate information is paper-based, time-consuming, error-prone, and it will not support electronic updates of the automated computation systems we envision. We are working with these federal agencies to be able to electronically process per diem rate information. This new system will minimize errors due to the re-keying of data and ensure travelers are provided accurate per diem entitlements in a much more timely manner government-wide.

Delegate Authority

The current practice in many DoD organizations today is to control the funding authority for official TDY travel centrally. Commanders who direct and authorize travel do not always

have accurate management information on funding availability, and therefore cannot make informed choices on the use of those resources for travel in support of mission requirements. Furthermore, missions directed by the Joint Staff or other outside taskings resulted frequently in a two-step process with fund citations to support a mission coming at a later time than the tasking. This disconnected procedure introduces last minute administrative delays and paperwork foul-ups.

To overcome this problem, we issued a policy directive that henceforth the authority to obligate travel funds will be delegated to the level consistent with the authority to approve travel in the Department. Authorizing Officials will be given their own travel budgets to manage. For the first time line managers will have both the responsibility and the resources to actually manage the travel function. To make this work, we are planning for to provide timely and accurate management information on funding availability status electronically to those supervisors who authorize and manage TDY travel. Secondly, in the case of taskings from external organizations, funding guidance or a fund citation must now be provided along with that direction. This will prevent a paperwork intensive and time-consuming reconciliation process after-the-fact. We believe that these initiatives will effectively enhance the responsible use of travel resources and eliminate some of the burdens that infect the current travel process.

Effective Fiscal Year 1996, we have also simplified the accounting practices associated with our travel expenses. DoD replaced 30 difference accounting codes with just one or two codes. This makes the budget process more "user friendly" for Authorizing Officials and eliminates the complexity of our current accounting procedures. This facilitates the delegation of budget authority to Authorizing Officials by not requiring them to act as budget clerks in determining which object class code is appropriate for every travel request approved.

Best Industry Practices

One-Stop Shopping for Travel Support

In our survey of best industry practices it became clear that one-stop shopping for services with a commercial travel office was the preferred approach. These services include: (1) the one time entry of data; (2) the use of a single document used for both travel authorization and voucher approval; (3) electronic or "paperless" processing; and, (4) the automatic computation of both a "should cost" pre-travel estimate and post-travel "did cost" voucher request. We have two challenges here. The first is to produce an integrated travel system that provides for these services. There are commercial software products or "enablers" available that, with some modifications, will allow us to perform these functions. The second challenge is to provide a single channel of information to travelers for all arrangements including Government lodging/messing facilities, per diem rate information, and other Government furnished information required to make travel arrangements. The pilots are helping us to determine the extent of industry capabilities to perform these functions. The emphasis is on obtaining those services that the commercial travel industry currently provides to its best private sector customers -- not on developing unique DoD system requirements. We want to remain sufficiently flexible to

take advantage of the new products and services being offered commercially, rather than lock into requirements that do not evolve with industry innovations.

Travel Card

The best practices we studied in corporate America indicate the use of a corporate travel charge card is essential. This gets the employer out of the business of maintaining an overhead structure to provide travel advances to the traveler and ultimately a corporate card makes the travel process much easier for the traveler. We have issued policy to maximize the use of the government-sponsored travel card, currently the American Express card, for all expenses associated with official business travel. DoD travelers will use the card to obtain cash advances from ATM machines as well as to charge their hotels, rental cars, meals, and other expenses. This has been a significant cultural change for a population of travelers used to traveling with cash. We have also developed and implemented a training program for all travel card holders to ensure they understand the proper use of the card.

Prompt Payment

Best practices also demand we use to the greatest possible extent automated computation capabilities with built-in policy compliance checks that ensure reimbursement of travelers. Prompt payment of travelers will help ensure that the travel charge card vendor is paid on time. These initiatives are designed to exploit the fullest potential of electronic transactions.

Electronic Funds Transfer: The Department of Defense now requires that travel reimbursements be paid to the traveler by an electronic funds transfer (EFT) to his or her financial institution; just like their pay checks. EFT allows us to both reduce the costs associated with reimbursements but also to speed up the reimbursement to the traveler. This policy was effective October 1, 1995, for DoD personnel. Where systems are capable of paying by EFT, our EFT travel reimbursements have gone up from 25% to 47% over Fiscal Year 1995. We anticipate this figure to increase to 90% by the end of this calendar year as system changes are made to accommodate EFT transactions.

Split Disbursement: Much like EFT, split disbursement is where the traveler can elect to have the finance office electronically pay the government travel card vendor directly for the charges that are on his or her travel card, the balance of the reimbursement would be transferred electronically to their personal financial institution. This will greatly simplify a process that requires the traveler to wait for the reimbursement before sending a check to the travel card company. Our finance centers are developing implementation requirements for the testing of split disbursements at our pilot sites. We have been working with the current vendor, American Express, to ensure that financial data will be exchanged appropriately.

Third Party Pay: A third and final electronic funds transfer initiative that we are testing concerns having a commercial vendor make payments directly to the travel card company. DoD would then reimburse a single invoice. This would cut yet another step from the payment process

by relieving the government finance office of making those payments. Our finance centers have prepared the necessary test procedures. If this proves to be a viable course of action, third party pay throughout DoD could result in privatized payment.

Random Audits

Another major improvement initiative was to establish procedures for the random examinations of travel vouchers in lieu of examining 100 percent of the vouchers. Effective October 1, 1995, disbursing offices within the Department began to move to random examinations. These quality assurance reviews, together with other audits as needed for oversight and control, should yield stronger controls at a reduced cost.

Achieving the accomplishments to date has been a collaborative effort across government. I must commend to you the GAO, GSA, and IRS for their support and cooperation in overcoming regulatory barriers and adopting better business practices.. Many of these barriers were built for the best of intentions at the time they were constructed. The dismantling of them can run quickly into some plausible reasons for their continued existence. Reasoning our way through the changes needed to bring them up-to-date can be a tortuous process for both the regulators as well as those being regulated. We still have some outstanding requests to IRS, GAO and the National Archives and Records Administration that will enable us to support a paperless process and reduce bureaucratic burden. However, the regulatory agencies on the whole have worked very hard with us to ensure the necessary controls yet allow us the necessary flexibility to ensure the travel mission is conducted more efficiently. I also commend the work of the Joint Financial Management Improvement Program in providing government-wide leadership to simplify and modernize travel management in government.

Project Management Office

Now for the future. I am very happy to report that in order to move out on this initiative DoD has established a project management office headed by Col. Albert Arnold for the Defense Travel System. This office will take all recommendations from the DoD Reengineering Task Force and, coupled with lessons learned from the pilot sites, implement a DoD-wide solution that utilizes best industry practices. A draft standard DoD solicitation was released on December 7, 1995, that asked for industry comment to help us refine our requirements in accordance with these best industry practices. We feel that the best way for DoD to implement evolving travel management services is for us to take advantage of the wealth of non-government experience. The travel industry is evolving and it makes good sense for DoD to capitalize on this evolution and build a partnership with industry that will last well into the 21st century. In that light and because we have received such an extensive amount of positive comments in response to our draft solicitation, we are conducting a thorough review of our requirements and acquisition strategy. It's too early for me to tell you the outcome. But I can assure you that we are listening to what industry has to say. They are the experts. They are the ones who will provide us solutions for our travel management challenges so DoD can put its streamlined resources to work in the appropriate areas.

Remaining Challenges -- Legislative, Technological, and Cultural

It is clear that we have done much already. However, as I stated in the beginning, we are not there yet and some significant challenges remain. They fall within 3 major areas: legislative, technological, and cultural.

Legislative Challenges

We have requested the amendment of the following statute that pertains to DoD civilian travelers:

10 United States Code, Section 1589. We propose the repeal of statutory language that prohibits DoD from paying a lodging expense to a DoD civilian employee who does not use adequate available government lodgings while on TDY. The statutory language does not permit flexibility by the resource manager to determine, on a case-by-case basis, the most efficient and cost-effective utilization of total travel dollars. For example, it does not allow consideration of car rental costs between government lodging and the TDY mission locations; it does not consider the total costs of providing government lodging, such as building construction, maintenance, and utilities. These costs are paid by other DoD appropriations that are not visible either to the traveler or to the local resource manager.

I would also like to underscore that many of the reforms offered by the Joint Financial Management Improvement Program initiative to provide broader or government-wide improvements require legislation.

Technological Challenges

Electronic Signature -- A seamless, paperless system is our vision. An essential element to accomplish this vision is to ensure that the necessary data integrity is maintained since this system will result in disbursement of public funds. Electronic signature technology appears to provide a method that can be used to provide the necessary integrity and allow us to comply with requirements of the False Claims Act. We are currently studying how we can achieve the necessary level of data integrity in a cost effective manner. In order to reduce development risks and costs, we are working closely with the General Accounting Office, National Institute of Standards and Technology, and the Department of Energy to develop the necessary specifications for a standardized electronic signature system. Although this system will be utilized for travel, it can also be used for a variety of other applications and is based on the Digital Signature Standard. GAO has recognized that the issues surrounding data integrity in an effort such as ours is complex and specific features needed will continue to evolve as more experience is gained. In order to allow us to gain the information that we need to define the controls necessary to achieve a paperless system, GAO has approved our testing of some commercially available products.

Industry issues -- Our pilot experience has underscored the need for a sophisticated understanding of the capabilities and limitations of our communications and data processing infrastructure. Our future system will have to provide service in a wide variety of operational environments. Our tests have demonstrated that some of our communications and data processing infrastructure is not adequate to utilize these modern techniques. One of our initiatives is to identify industry standards for electronic commerce and apply them to our new DTS. As industry progresses towards greater reliance upon electronic commerce methods, the Department must likewise remain flexible enough to move with it.

One of the unanticipated technical barriers encountered during the pilot phase has been the time required to update the software modules with new entitlement rules and to ensure that those changes are accepted for processing payments by our accounting systems. Since entitlement changes occur on a regular basis, this is an issue that needs to be worked.

Additionally, travel industry conditions are changing so rapidly that it is taxing our ability to predict the costs of future travel services. For example, the commission structure of the travel arrangements industry is changing, with potentially significant implications for our future costs.

Cultural Challenges

Beyond the specific legislative proposals and technological challenges that I have outlined, there are some "cultural barriers" that hamper our ability to achieve our travel reengineering goals. Perhaps foremost among these barriers is the oversight mentality that would have the Department spend \$100 in establishing rigorous internal controls to oversee a \$10 problem. We need to emulate private sector practice of systems control, random audit, and supervisory accountability. We need to ensure that requirements such as signatures add value to the process. Best practice in industry for filing vouchers does not require --or pay for -- fail-safe or multiple signatures as a condition for reimbursement.

Here is where Congressional leadership can help to set the tone by applying cost/benefit analysis principles and common sense to oversight and internal control requirements. By treating the DoD traveler and his/her supervisor as honest customers, we have deliberately designed a system that is not oriented around stopping the 2 percent "bottom feeders." The costs and systems complexity required to target that population should not be allowed to drive the features of the Defense Travel System. Here again the pilots will help us to assess the strength and viability of the internal control features of the new system. The lessons learned from their experience will provide an invaluable tool with which we can develop rational and cost-effective control alternatives.

Conclusion

I would like to conclude my testimony today on a very positive note. The Department of Defense remains highly committed to this important reengineering effort. We have made significant progress in a very short period of time. Given the scope and complexity of the

operations in this Department and the changes underway in the travel industry itself, I would go even further to characterize the progress as extraordinary! I will admit to you, however, that this change effort has been much harder than we had anticipated. Change is always difficult, but the anticipated as well as those unanticipated barriers in the areas of policy, technology, and culture have been challenging indeed.

I would ask for the continued support of this committee and I count on the support of the other federal agencies I have mentioned today as we come closer to the actual implementation of our new Defense Travel System. I would be happy to now take any questions that you may have.

Statement of
Tony Musick, Chief Financial Officer
Internal Revenue Service
before the Subcommittee of Government Management
and the District of Columbia
Senate Committee on Governmental Affairs
Oversight of Government-wide Travel Management
March 8, 1996

Mr. Chairman and distinguished members of the Subcommittee, it is a pleasure to be here today. I would like to introduce Steve Goldberg, the IRS Travel Ombudsman, who is with me this morning. We would like to tell you about the improved travel process we have at the Internal Revenue Service, which is based around the implementation of our automated travel system, also known as the Travel Reimbursement Accounting System. We have had a great deal of success at the IRS in revamping an old-fashioned paper voucher process into a modern automated system to reimburse our employees whose jobs require them to travel. This new system reimburses an employee in approximately five days to seven days after an approved voucher is entered in a computer. I will be happy to summarize the IRS experience with this reengineering process and answer any questions you may wish to ask. My official testimony will be submitted for the record.

Like other federal agencies, the IRS often requires its staff to be away

from the office to perform official duties. IRS now uses an automated travel system that was developed in-house in the mid 1980s. It has reduced the number of steps in the travel reimbursement process to two: a certification of the claim by the traveler and the approval by the supervisor. In FY 1995, we processed 83% of our travel vouchers or about 325,000 vouchers electronically.

BACKGROUND

Prior to instituting our automated travel system the paper travel system was cumbersome and tedious. In the past, an employee returned from a trip and completed a paper travel voucher form. The travel voucher was signed and forwarded to the supervisor who reviewed the information and approved the travel voucher. Copies of the travel voucher and the supporting documents were made and the original voucher was put into an envelope and mailed to the accounting operation. The accounting technician received and sorted the vouchers. The voucher was then reviewed by an accounting technician for accuracy and completeness. If there were no errors detected, the data were keyed into the accounting system. If there were errors, the travel voucher was returned to the employee to correct the error and the process began all over again. After the travel voucher was processed, the technician filed the voucher alphabetically.

In the early 1980s, IRS began its travel reengineering effort before the

concept of reengineering was introduced to the rest of the Government. Travel reengineering was addressed as an infrastructure issue at that time. The IRS could either continue to process its travel vouchers primarily by paper or try to use emerging technology. We came to the realization that with the number of IRS travelers, paper vouchers were not a viable solution. Therefore, in 1984, we began to design an automated travel system. In 1987, implementation began in the IRS regional offices. The implementation effort was halted between 1991 and 1994 because the Service had begun to implement its new integrated financial system, which required us to redirect and concentrate our resources. In 1994, the travel system implementation was resumed and, I am pleased to say, is now available Servicewide.

Filing a voucher using the current IRS automated travel system is essentially a very simple process. After an employee is directed to travel, he returns and enters the voucher into the travel system. The voucher is routed to the responsible manager for review and approval. After the manager reviews and approves the voucher it is automatically transmitted to the accounting system. The accounting records are automatically updated and the payment, along with other payments, is transmitted to the federal payment center in Birmingham, Alabama. The reimbursement check is then produced and sent to the employee. The employee receives the check in approximately five to seven days.

BENEFITS

Mr. Chairman, I would like to highlight some of the tangible benefits the IRS has realized as a result of this change in its travel process.

Cost Savings

Based on preliminary information provided by the GAO and our own Internal Audit, we have determined that every time a traveler uses the automated travel system rather than submitting a paper voucher, IRS saves between \$14 and \$22.

Automation of Routine Processing

Travel is particularly well suited to automation because many travel requirements are standardized across the Government, such as per diem and mileage reimbursement rates.

Timely Reimbursement

Using the automated travel system has produced a number of other benefits to both the employee and the IRS. The administrative burden has been reduced for both the employee and the manager because they do not have to keep up with travel rates that can change. In addition, the system is user-friendly

and does not require extensive specialized training. In fact, the IRS travel system assumes that the user has no computer expertise.

The employee also receives reimbursement within five to seven days after the voucher is transmitted. In addition, the new travel system has significantly reduced the number of travel advances requested at the IRS, thereby reducing the need for cash on hand.

Reduction of Errors

The automated system performs all calculations and eliminates math errors. The system has a built-in edit check that ensures that the correct per diem and mileage rates are being used. The employee can access the system for payment history information without contacting a person in the accounting operation area for assistance. The travel system also enforces the Government's travel policy and ensures the proper use and handling of funds.

Tax Compliance

The system is designed to ensure tax compliance where the Internal Revenue Code has an effect on the travel area. For example, Meals and Incidental Expenses that are paid for a one day trip, without an overnight stay, are taxable. This automated system makes it easier to ensure that the IRS is as vigilant with its own employees as it is with other Americans with respect to paying taxes that are due.

Communication

Communication is also greatly improved through the automated travel system. The system can be modified to accommodate rate changes, which eliminates the cumbersome task of reaching 70,000 travelers through another type of communication.

Time Saver

The use of the travel system saves time for the traveler in preparing the claim. There is no need to search for the correct form, since the most up-to-date version is always available on-line. The travel system reminds the traveler which expenses require supporting documentation such as receipts for lodging. By removing the "paper chase" of tracking down misplaced and misdirected paper vouchers, employees have the opportunity to concentrate on productive tasks, rather than worrying about their reimbursement check.

BARRIERS

While the automated travel system has these tangible benefits, there were some barriers, or obstacles, which had to be overcome. I would like to briefly mention these which we were fortunately able to work out.

Lack of Resources

Like many federal agencies the IRS has been under serious budget constraints in recent years. The lack of resources made the servicewide implementation of the travel system a long term project. In order to perform the larger process of overhauling the IRS financial system, it was necessary to divert resources from the travel system implementation to support the larger effort. We did suspend the automated travel system implementation between 1991 and 1994. Once the financial system was operational, we turned our attention back to the full implementation and integration of the travel system in the entire IRS.

Resistance to Change

In the beginning many employees had a natural resistance to change and to using an automated process. It appeared that many people seemed to suffer from a cultural addiction to paper records. However, the resistance declined once the employees found out that they could be reimbursed in as few as five days; that the electronic travel voucher replaced the paper voucher that had to be filled out; and, that they did not have to constantly keep track of changing per diem and mileage rates.

FINANCIAL INTEGRITY

Mr. Chairman, there is a natural concern with the financial integrity of any automated computer system, especially one that is primarily designed to handle large numbers of financial transactions. The IRS paid close attention to this concern and included several safeguards in the automated travel system to maintain financial integrity. I would like to briefly talk about these.

First, security. The automated system has two levels of password protection. This two tiered security procedure protects the data and prevents unauthorized access into the Service's system.

Second, payee verification. Another benefit to using the travel system is payee verification. Since the system receives employees' names and social security numbers from the payroll system, the possibility of false travelers' names being entered into the travel system has been virtually eliminated. The names of the travelers requesting payment are compared to the list of active employees. Any discrepancies are held for further research.

Third, system integration. The travel system is fully integrated with the overall accounting system. If we did not have this system integration we would simply be substituting an ordinary paper voucher for a computer generated paper voucher which would not be worth the expense or effort of implementation, nor would it eliminate errors introduced with duplicate data entry.

Fourth, consistent application of the travel rules. The new system provides the ability to quickly accommodate financial and regulatory changes in a way that is transparent to the end-user. The role of accounting has also changed, from processing reams of paper to reviewing and analyzing travel expenses. A sample of travel vouchers is generated randomly by the system and the accounting staff performs the review.

LESSONS LEARNED

During the implementation of our travel system, we learned some important lessons I would like to share with the Members of the Subcommittee. I will list them and be happy to respond to questions afterwards from the Members if there are any:

- We would not develop another travel system in-house. When we developed our system, there were no products commercially available. There are now several travel software applications that are commercially available.
- We realized that we could not implement a travel system at the same time we were replacing eight stand-alone accounting systems with the integrated financial management system I referred to earlier.
- The system needs to be user-friendly and easily accessible.
- Phased in implementation is critical for success.
- The advantages of using the system must be marketed to the

users.

- The travel system should be electronically linked to the accounting system.

- Because of the number and decentralized locations of our travelers, we realized we could not handle everything centrally, so we established travel security administrators in these locations to deal with routine administrative matters.

FOR THE FUTURE

Mr. Chairman, in FY 1995, as I previously stated, 83% of the vouchers were filed electronically. We are striving to increase that number. Some of our employees are still relying on the paper intensive way of filing vouchers. It is our goal to eliminate as much paper in the travel arena as possible. In order to attain this goal we need to ensure that all travelers can access the travel system in the future.

Joint Financial Management Improvement Program (JFMIP)

Finally, Mr. Chairman, I would be remiss if I did not talk briefly about the Joint Financial Management Improvement Program (JFMIP). As you know, this organization was comprised of many of our government agencies, including the

IRS, and was charged with the mission of reforming travel regulations, not an easy task. The Joint Financial Management Improvement Program (JFMIP) publication, Improving Travel Management Governmentwide, describes the objectives of reengineering the travel regulations.

These objectives were to eliminate paper, cut red tape, automate the process, humanize the treatment of travelers, save the taxpayers money, and use exemplary practices to create parity between travel practices of the public and private sectors. We believe that IRS has met many of these goals, except the last one on parity. Although we are proud of our practices, we cannot create parity with the private sector until we are given relief from some of the regulatory requirements that add nothing to the financial integrity.

In the area of regulatory relief, we do agree with recommendations made by JFMIP. I would like to highlight a few of the recommendations that would be particularly helpful in reducing the administrative burden of our employees.

- We endorse the recommendation to establish a flat rate system to reimburse Meals And Incidental Expenses on partial days of travel. This change would eliminate the need to record the departure and arrival times.

- We also agree with the recommendation to eliminate Meals And Incidental Expenses reimbursement for same day travel, because employees are reimbursed for expenses customarily incurred in an ordinary workday (e.g., lunch). In addition, the administrative burden of tracking these reimbursements specifically for W-2 purposes would be eliminated, along with the cost to prepare

and distribute W-2s for this specific type of reimbursement to employees.

■ We also endorse the recommendation to eliminate the telephone call certification requirement. Currently, all travelers are required to submit telephone call receipts, regardless of amount. This requirement is based on a law enacted in 1939. This change would remove an administrative burden on travelers who use a telephone in connection with official business.

SUMMARY

In summary, Mr. Chairman, the IRS is proud of its automated travel system. As I indicated earlier, the use of the automated system provides a single source of data entry and eliminates the errors that are introduced when paper vouchers are rekeyed in a centralized accounting operation. Reentry of travel data from paper vouchers is labor intensive and consumes significant resources in an era of limited budgets. The new system is more efficient and all indications are that employees prefer it.

We have determined that in 1987 the cost of implementation was about \$2 million. Because of the long implementation period, we have not measured the overall cost. However, I can tell you that in terms of the number of people reviewing vouchers, approximately eight years ago, we had over 100 accounting technicians processing travel vouchers Servicewide. Today, we have about 26 technicians processing travel vouchers.

No performance measures were developed up-front because it was clear that automating travel processing made sense. The cost to process is low; travelers receive the reimbursement checks in five to seven days; data integrity has improved; and staff spends less time in processing a travel claim request.

We believe we have realized many benefits from the automation effort and would recommend that other agencies undertake a similar effort.

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GOVERNMENTAL AFFAIRS

STATEMENT OF

DIRECTOR OF FINANCE
(CHIEF FINANCIAL OFFICER) FOR THE US
AGENCY FOR INTERNATIONAL DEVELOPMENT
DONALD K. CHARNEY

BEFORE THE
SENATE COMMITTEE ON
GOVERNMENTAL AFFAIRS,
SUBCOMMITTEE ON OVERSIGHT OF
GOVERNMENT MANAGEMENT AND THE
DISTRICT OF COLUMBIA

IN CONNECTION WITH THE JOINT FINANCIAL
MANAGEMENT IMPROVEMENT PROGRAM
RECOMMENDATIONS ON IMPROVING
TRAVEL MANAGEMENT GOVERNMENTWIDE

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SENATE COMMITTEE ON
GOVERNMENTAL AFFAIRS

Mr. Chairman, members of the Subcommittee, thank you for this opportunity to discuss travel management improvement in the federal government.

OPENING AND INTENT

I am the Chief Financial Officer for the US Agency for International Development. I am here today representing the Joint Financial Management Improvement Program. The JFMIP is a cooperative program of the Department of the Treasury, General Accounting Office, Office of Management and Budget, and Office of Personnel Management. It coordinates resources to address governmentwide financial management issues. JFMIP recognized the need to reform travel management in the federal government and organized a task force to address the issue. The effort began in October 1994. JFMIP asked the General Services Administration (GSA), which administers the Federal Travel Regulation (FTR), and myself, a user of those regulations, to spearhead this undertaking. Its purpose has been to identify and recommend opportunities to improve travel management, and to remove outdated policies that impede the implementation of these recommendations.

While I and my GSA counterpart led the effort, the JFMIP task force, consisting of travel policy experts from departments and agencies across the federal government, performed a holistic review of the current federal travel policies. I commend the prior work done by the General Accounting Office and the Department of Defense, which we used in our review. The task force has assembled 25 specific travel improvement recommendations. The recommendations, which have already been issued in a JFMIP publication entitled Improving Travel Management Governmentwide, are consistent with "best" travel practices obtained from several organizations in both the public and private sectors.

We have met with officials from the Office of Management and Budget, the General Accounting Office, the President's Council for Integrity and Efficiency, the

Internal Revenue Service, the National Performance Review, the private sector, and lastly, the Chief Financial Officer's Council, of which I am a member. There is broad-based management support to implement these recommendations in order to eliminate red tape and save money, while providing equitable and timely reimbursement to travelers.

The prognosis for improving federal travel management is bright. Already, we have agencies starting to implement the improvements for which they have authority under FTR waivers. Throughout the travel improvement process, I have been impressed with the outstanding cooperativeness of federal managers and staff. This effort illustrates that we can work together to overcome weaknesses and develop common sense solutions to improve government.

CURRENT TRAVEL MANAGEMENT ENVIRONMENT AND POTENTIAL SAVINGS

On a median measure, the federal government's typical per trip airfare, lodging, and rental car costs are extremely favorable compared to those in the private sector. While the government's costs are low, it does not mean that more cannot be done to further reduce these direct costs.

JFMIP published nine recommendations to improve TDY travel management. We also have developed current and improved temporary duty travel models. No two agencies use the exact same process, and neither model universally portrays every agency. The models do, however, serve to heighten the awareness of the need to improve travel management.

The current travel process (current model) for a typical non-DOD civilian agency shows 59 steps. The direct median cost per trip for a non-DOD civilian agency is approximately \$1,000. Administrative costs are estimated to be \$98 - \$128, or approximately 10-13% of direct travel costs.

JFMIP's recommendations, which are depicted in the improved model, reduce travel processing to 12 steps and compress cycle time. Administrative costs under this model fall to approximately \$37 - or under 4% of direct costs - for a \$1,000 trip. Applying the improved model to non-DOD civilian agencies, we expect to save \$467.1 million dollars annually -- \$36.6 million in direct, and \$430.5 million in administrative costs.

IMPROVED TRAVEL MANAGEMENT ISSUES

Perception: The government penalizes all travelers to catch a few irregularities. Administrative rules, designed to give the American public a sense of trust and commitment, have had the opposite effect. Many and often useless "control" oriented provisions instead convey to the American public that the federal traveler is inherently dishonest. Federal travelers are honest and no different from private sector travelers and should be treated as such. Only a small percentage of any workforce - both in the public and private sectors - will attempt to circumvent travel fairness for personal gain. These people might be able to temporarily beat the system - no matter how foolproof we believe it is. The chiseler is caught eventually, because he or she is greedy. We need to stop spending dollars to chase cents and redirect our resources to other priorities.

Overregulation: The FTR establishes Governmentwide civilian temporary duty and relocation policy. The FTR is a statute-based technical document that places many burdensome and unnecessary controls on agencies. GSA has been working to improve travel policy, and has partnered in the reengineering effort from day one. Agencies, however, have varying missions and travel needs. As a result, agencies have issued voluminous policy interpretations, and requested waivers to the FTR, to tailor their travel policies to specific missions and needs.

There also are statutory impediments that we need to overcome, and we request the assistance of this Subcommittee. The Telephone Act of 1939 is one example.

It requires agency heads to certify official long-distance telephone calls made by travelers on government business. Though well-intentioned when introduced to control telephone costs, it is unnecessary in today's environment.

I now would like to express a few words about relocation travel, often called permanent change of station travel, although it is not the focus of this hearing. Just as we have scrutinized the TDY process, we have done the same for relocation travel. I am pleased to tell this Subcommittee today, that we, at request of the Subcommittee staff, have developed statutory proposals to improve relocation travel management. The direct savings potential is greater than that for TDY. TDY improvements will save \$36.6 million in direct expenses. The comparable direct expense reduction for relocation improvements is \$285 million. JFMIP's relocation travel improvements (for civilian relocations) will also save \$70.5 million in administrative costs. Combined administrative and direct savings for TDY and relocation travel exceed \$820 million. As with the TDY reengineering, we have proposed delivering relocation benefits in the government similar to that in the private sector. We have completed a draft legislative package that is currently under review. We would be eager to discuss this package at a time convenient to this Subcommittee.

Tax Implications: The Departments of Defense and State initiated dialogue with the Treasury's Internal Revenue Service and Office of Tax Policy to question certain tax regulations. We note accomplishment and applaud the IRS for raising the receipt threshold from \$25 to \$75. Other tax compliance issues must be addressed if we are to realize all of the avenues of savings. Tax issues associated with TDY travel are expected to be resolved. Tax issues connected with relocations may be more difficult to resolve. Relocation travel is considered a taxable fringe benefit to the transferee, though often, the transfer is not to the employee's benefit, and sometimes, to their detriment. The federal government, as with most Fortune 500 companies, in turn reimburses transterees for their

additional tax liabilities. Federal agencies alone spend \$35 million annually to manage the process of tax reimbursements. Costs are far greater in the private sector. Tax policy changes are needed to eliminate the need for the tax reimbursement process.

Outsourcing: Organizations with the best travel practices use commercial travel management centers (TMCs). TMCs can offer comprehensive and 24-hour access to arrange flights, hotels, and ground transportation. Increased agency use of TMCs will streamline agency travel operations and reduce administrative costs to the government.

Informational/Technological Impediments: We do not know all of the true travel costs today, but we do know that many travel processes are still paper-intensive. Paper forms are used to document travel authorizations, advances of funds, and voucher claims. Often, travel data is repetitively entered on one or more of the various forms - for example, to obligate travel funds. The JFMIP recommends a seamless travel process, similar to that proposed by DOD, which begins with consolidating travel information using standard data elements. However, the government must first define a cost-effective and electronic signature standard to implement this seamless process.

Travel information should be entered once and be available to other systems. Migrating data in this manner to TMC and financial management systems offers many benefits. It will improve travel policy compliance and travel service delivery. It will assist in pre-determining travel costs, enhance the obligation process, heighten data integrity, and simplify the reimbursement process.

Standard data elements, however, will not provide us with administrative cost information. Until activity based cost accounting standards are implemented in government, and proven, time and motion studies will continue to provide the best

baselines at the lowest cost.

LONG-TERM TRAVEL MANAGEMENT

Travel management is not a static process, and as such, JFMIP suggests pursuing the following initiatives to ensure continuous improvement in travel management:

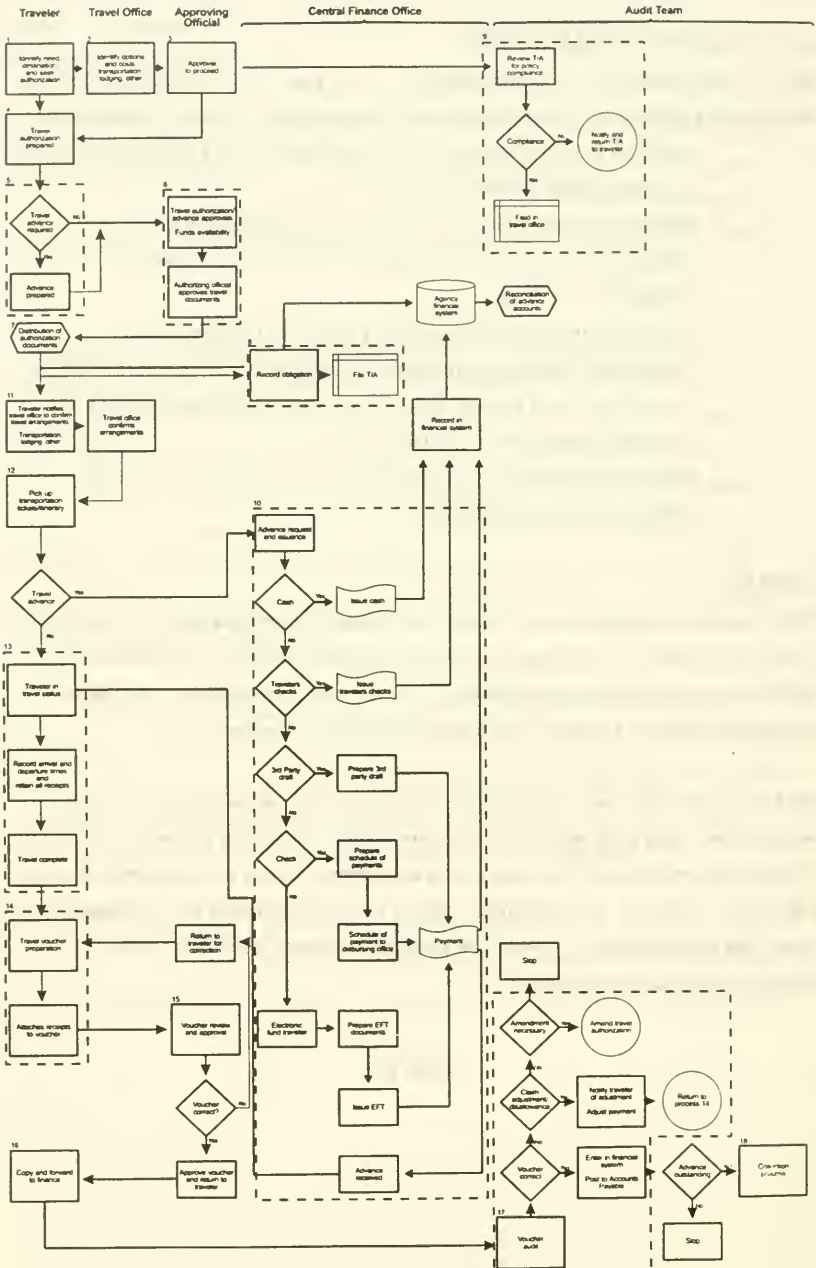
- Establish a central repository of travel data to track direct costs, such as airfare, lodging, rental car, etc.;
- Measure administrative costs at regular intervals and evaluate the efficiency of the delivery of travel services through agency management reviews;
- Organize a travel industry advisory group and create a travel management consulting resource to identify means to improve travel management and service delivery, and to identify opportunities to outsource more travel functions; and
- Employ simplified travel policies and disseminate them through newsletters and the internet.

SUMMARY:

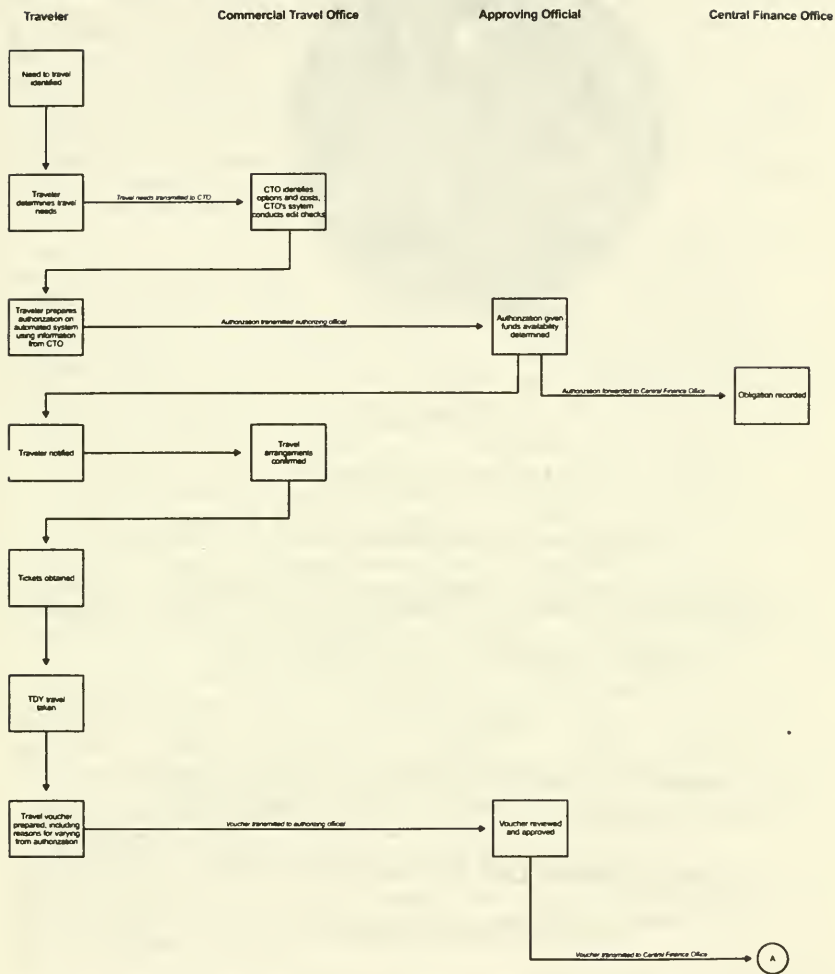
JFMIP proposes implementation "across the board," where needed for consistency in the government. We propose discretionary implementation where individual agency business needs take precedence. Government agencies will choose to voluntarily implement options that improve resource utilization.

We have made real gains in identifying reengineered travel policies and practices, and we seek rapid progress in their implementation. We hope to have the support of this Subcommittee and the continuing cooperation of tax policy experts to bring this effort to fruition. Mr. Chairman, I thank the Subcommittee for the opportunity to provide this statement. I would be pleased to answer questions you or the other members have at this time.

Current TDY Travel Process



JFMIP Improved Travel Process



FINAL



STATEMENT OF
G. MARTIN WAGNER
ASSOCIATE ADMINISTRATOR
OFFICE OF POLICY, PLANNING AND EVALUATION
GENERAL SERVICES ADMINISTRATION
BEFORE THE
SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT
MANAGEMENT AND THE DISTRICT OF COLUMBIA
COMMITTEE ON GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

MARCH 8, 1996

Mr. Chairman, members of the subcommittee, I am Martin Wagner, Associate Administrator, Office of Policy, Planning, and Evaluation, the newly established Governmentwide policy office of the General Services Administration (GSA). It is my pleasure to be here before you to present the views of GSA on its cooperative effort with the Joint Financial Management Improvement Program's (JFMIP's) initiative to reduce the administrative and program cost of Federal civilian employee travel and relocation. This effort is the first major new initiative of this office. I wish I could personally take credit for what has been accomplished to date, but this significant effort has been underway for over a year and my office was created just 3 months ago.

I appreciate, however, having the opportunity to amplify on the significant accomplishments to date as well as the responsibility to create the regulatory and legislative changes that will implement these improvements and produce significant annual savings for Federal agencies. The 26 recommendations in the JFMIP report, copies of which have been provided to your staff, address both temporary duty travel and relocation issues that need to be changed to reflect the best practices found in the private sector and the Federal community. The maze of signatures, reviews, and rules result in high administrative costs and misplaced productivity that could be better used elsewhere, and provides no benefit to the taxpayer or the traveler. The rules frequently require an attorney to explain their application, and, in some cases even a specialized tax attorney. The current process impedes a manager's ability to manage, and shifts decisions from those based on common sense to those that are highly regulated and less flexible.

Travel policy and procedures should be simple for 99% of travelers and managers. The current Federal Travel Regulation (FTR) numbers 150+ pages with 1000's of pages of individual agency implementing guidance. This is just a small example of the excessive regulatory environment identified by the National Performance Review. Travel policies and programs should produce equitable reimbursement, administrative ease, travel and administrative cost reduction, and good value and accountability to the taxpayer. Travel policy should not restrict the use of common sense, add significant cost to the process, or require a lawyer to explain commonly used rules and procedures.

GSA has been fortunate to co-chair the JFMIP effort for over a year. We were recommended for this role because we have the institutional knowledge in developing the FTR and related policies and programs used by the Federal community. GSA frequently is seen as the "keeper of the keys." Aside from the FTR which includes transportation and per diem reimbursement rules, GSA with the help of its customers has

created many cost saving programs such as the airline city-pairs contracts, commercial travel agent programs, bargain hotel rates, and a travel charge card that can be used to acquire most travel related services, including cash advances. Other agencies have unique roles in the overall program. The Department of Defense (DOD) has done very well in negotiating car rental agreements for the Federal communities use. While GSA's travel policies focus on both domestic and international travel by civilian employees, the Departments of State and Defense are responsible for establishing overseas per diem rates. The Department of State also establishes certain overseas living allowances that apply to government civilians relocated to foreign areas. Attachment 1 provides additional background on the FTR.

While working with the JFMIP team on its broad recommendations, GSA concurrently responded to over 20 requests each seeking waivers of FTR provisions. Most have required coordination with the Internal Revenue Service (IRS) and the General Accounting Office (GAO) to ensure compliance with rules and regulations under their purview. Both agencies have been extremely responsive and supportive of the reinvention effort. There has been a similarity in many of the waivers sought. The most commonly requested waivers have been the use of 3/4 locality rate for meals and incidental expenses (MI&E) for the first and last days of travel, and the raising of the receipts requirement to \$75 which now has been approved by the IRS for governmentwide and private sector use. Because of statutory prohibitions, certain portions of agency requests could not be granted. These included waivers to the per diem rate process, cost data capture requirements, and exemptions to the Fire Safety Act.

As background, in FY 1996, GSA consolidated its governmentwide policy and oversight responsibilities into a separate office of Governmentwide policy for which I provide management and leadership. This office is responsible for providing leadership in the development of sound management practices that encourage more efficient use of assets, products, and services by the Federal community. Efforts currently are underway to improve the use of business office space, energy, commercially owned aircraft, motor vehicles, the mail system, and the economic disposal of assets no longer needed. The quality services and products GSA program offices provide have been separated from the policy setting functions.

The overall goal of GSA's Office of Policy, Planning, and Evaluation is to develop better management processes that:

Produce sound policies developed with key players;

Reduce and simplify regulations;

Save Federal agencies and taxpayers money; and

Provide choices instead of mandates.

Our vision is to restore taxpayers' trust in Government administrative processes and services.

Travel policy is an important function of the new GSA policy office. The office is responsible for issuing the FTR, establishing per diem rates, gathering cost and other travel data, and evaluating equity and tax issues as they relate to travel and relocation. Statutes and legal decisions will continue to require the new office, as it did its GSA predecessor, to issue rules to cover such myriad topics as Fire Safety Act requirements, cost reporting, and use of frequent flyer miles earned while on official travel. GSA's policy decisions are influenced by congressional actions, agency requirements, OMB directives, Presidential executive orders, GAO decisions, IRS tax decisions, and decisions and actions of businesses related to travel. Most IRS tax rules apply equally to government employees, and GSA's per diem rates often are used by the private sector and state governments to meet IRS accountability rules related to recording business travel expenses.

Your letter asked for specific information on five issues to be addressed in my oral and written statements. In response, there are a number of short-, mid-, and long-term goals established for the travel reengineering effort. Additions to these will emerge from this hearing and from meetings with the Federal community and related private sector service suppliers and associations. All will support a theme of better accountability through improved data and data collection. Our short-term goals include:

Proposing legislation, where required, to implement the JFMIP recommendations.

Providing requested waivers to GSA-managed regulations and issuing regulatory changes consistent with the 26 JFMIP recommendations.

Electronically publishing important information including per diem rates, the FTR, and news on travel reengineering pilot efforts on the GSA Internet home page.

Encouraging the development, and coordinating the evaluation of new travel delivery systems.

These goals are targeted for implementation or completion by late summer with the possible exception of some complex

regulatory changes that may be impacted by the recommended legislative actions. Acting on these goals and new waiver requests comprise the policy agenda for the first 100 days.

Our mid-term goals address specifically the Federal travel management framework to assist agencies in their reengineering efforts, and include:

Benchmarking internal agency travel processes and costs against best practices in the private and public sectors.

Establishing a more active interagency working group for travel policy review and development.

Acting as broker for working group suggestions on ways to reinvent and simplify travel programs.

Expanding the core GSA policy staff with additional staff and expertise supplied by the Federal community.

Recommending changes and offering assistance to agencies that lack resources to internally review travel processes and programs.

Writing the FTR with a minimum of legal jargon.

Evaluating the proposal to publish two guides that simplify 90+% of all travel and relocation:

Travel - 5 to 10 pages

Relocation - 10 to 20 pages

Continuing to revise and simplify governing statutes and regulations.

Progress already has been made on many of these items. Individual milestone plans are not yet available, but a December 31, 1996, time-frame is our vision and target to accomplish a substantial portion of these efforts. Over the next thirty days, we will complete milestone plans for each. A good example of a critical effort to support this group of goals relates to Subsection 5707(c) of Title 5. This law provides GSA the authority to collect travel cost data. These data will be used to improve Governmentwide travel policy including benchmarking and assist negotiations with service providers. My office will work with an interagency group to develop a standard set of travel and relocation data elements to serve this Governmentwide purpose. As part of the effort to assist agencies in performing internal reviews and benchmarks, a profile of specific agency travel related attributes will be developed so that reasonable comparisons can be made.

While my first overall concern and attention will be to bring the rules and regulations into the best practices available in 1996, GSA is also looking to the future. Long-term goals, starting in FY 97, will look at how travel expenditures (\$7+ billion) are spent and how agencies pay for these services. The use of new data captured is expected to provide the answer to how much is spent on travel and relocation. Assuming that the GSA short- and mid-term goals are met, the reengineering effort should produce many recommendations to change Government-wide travel programs. While these programs currently save the Government over \$2 billion, industry changes and competitive pressures likely will initiate a complete review of the travel charge card, airline city-pairs, commercial travel agent, and travel management and information systems. Travel industry changes over the next few years most likely will have the effect of minimizing the use of paper, credit cards, tickets, and person-to-person conversations related to acquiring the service and accomplishing the travel and related methods of accomplishing reimbursements. New policies and programs will need to have been tested and already be in place to take advantage of these new services. Smart cards physically combining travel, long-distance telephone, and small purchase credit cards with automated payment and reimbursement systems, automated pre- and post-travel audit systems, and data capture already have been suggested for consideration.

GSA appreciates the continued interest demonstrated by the Chairman and subcommittee staff in GSA's travel policy and program areas. The timing of the hearing could not have been better coinciding as it does with establishment of the new policy office in GSA, the completion of the JFMIP travel and relocation reinvention project, and the upcoming submission of legislation to implement that project's recommended statutory changes. We are particularly excited about the opportunity GSA has to provide a greater dedicated responsiveness to its policy, planning, and evaluation responsibilities. While it will take time to build the cadre of experts necessary to satisfy everyone's expectations, I am confident we can meet the challenge given the support that has been evidenced.

Thank you for the opportunity to testify today. At this time I will be pleased to answer any questions the subcommittee may have.

FEDERAL TRAVEL REGULATION

The Federal Travel Regulation (FTR) is a statutory regulation which implements various provisions of chapter 57 of title 5, United States Code and other related statutes. The FTR contains the rules governing Federal civilian employee travel and relocation allowances and entitlements. This includes the payment of per diem and transportation expenses, as well as relocation expenses such as those associated with temporary quarters and residence sale/purchase transactions. The FTR also governs the acceptance of payment from a non-Federal source for the travel expenses of an employee and/or accompanying spouse attending a meeting or similar function related to the official duties of the employee, as well as the payment of expenses connected with the death of certain employees. In establishing Governmentwide civilian travel and relocation policy, GSA strives for equitable reimbursement to employees, ease in agency administration, and minimization of government costs.

Prior to 1921, Federal agencies independently established their own individual travel and relocation policies. From 1921 to 1933, a Federal Coordinating Service established under the Bureau of the Budget (BOB) enabled the President to coordinate Executive Branch activities to ensure economical and efficient expenditure of appropriations, including those for travel and relocation. By 1923, however, agencies' travel policies still varied widely, and the Bureau of the Budget (BOB) established a committee to draft the first uniform set of travel regulations. The President issued Executive Order No. 4493 on August 11, 1926, to implement the uniform regulations (Standardized Government Travel Regulations (SGTR)). The SGTR incorporated the first set of standardized maximum subsistence expense rates which had just been enacted in the Subsistence Expenses Act of 1926 (June 3, 1926). The SGTR continued to be issued by Presidential Executive Order until 1931 when BOB was given authority to issue the regulations with only the President's approval rather than an Executive Order. In 1949, the Travel Expense Act of 1949 repealed the Subsistence Expenses Act of 1926 and conferred authority on the Director, BOB to promulgate the SGTR without the President's approval. The BOB (now the Office of Management and Budget (OMB)) continued to issue the regulations (subsequently renamed the Federal Travel Regulation (FTR)) until 1971 when the function was transferred to GSA.

Since the first issuance of uniform travel regulations in 1926, the Government and the travel service industry have

expanded in size and complexity. So has the FTR through the enactment of additional laws, promulgation of OMB directives, and issuance of Comptroller General decisions affecting travel and relocation. The FTR provides Executive Branch agencies with uniform authority for payment of travel expenses.

JEMIP

December 1995



Improving Travel Management Governmentwide

Joint Financial Management Improvement Program

The Joint Financial Management Improvement Program (JFMIP) is a joint cooperative undertaking of the Office of Management and Budget, the General Accounting Office, the Department of the Treasury, and the Office of Personnel Management, working in cooperation with each other and with operating agencies to improve financial management practices throughout the government. The Program was initiated in 1948 by the Secretary of the Treasury, the Director of the Bureau of the Budget, and the Comptroller General, and was given statutory authorization in the Budget and Accounting Procedures Act of 1950. The Civil Service Commission, now the Office of Personnel Management, joined JFMIP in 1966.

The overall objective of JFMIP is to make improvements that contribute significantly to the effective and efficient operations of governmental programs. Activities aimed at achieving this objective include:

- Developing general objectives in those areas of common interest to the central agencies for guiding the improvement of financial management across government and promoting strategies for achieving those objectives.
- Reviewing and coordinating central agencies' activities and policy promulgations affecting financial management to avoid possible conflict, inconsistency, duplication, and confusion.
- Undertaking projects and special reviews of significant problems and new technologies in financial management and publishing the findings and conclusions.
- Acting as a catalyst and clearinghouse for sharing and disseminating financial management information about good financial management techniques and technologies.
- Reviewing the financial management efforts of the operating agencies and serving as a catalyst for further improvements.

The JFMIP plays a key role in mobilizing resources and coordinating cooperative efforts in the improvement of financial management practices, and relies on the active participation of federal agencies to be successful. The Joint Program is guided by a Steering Committee consisting of key policy officials from each of the central agencies. A key official from a program agency also serves on the Steering Committee. A small staff headed by an Executive Director provides support to the Committee.

Foreword

An interagency team was established in 1994 by the Joint Financial Management Improvement Program (JFMIP) to address travel reengineering. Representing over two dozen organizations from the Executive and Legislative Branches of the federal government, the goals of the Travel Improvement Project have been to identify and address obstacles that impede use of best travel practices in the federal government. This report of the *Travel Improvement Project* documents both the obstacles and suggested improvements.

Travel management has received great attention in recent years in both the public and private sectors. The Travel Improvement Project Team held meetings with public and private organization representatives to identify promising travel practices. These reviews of exemplary travel policies and practices have been conducted to ensure that the travel policy recommendations are credible and can be implemented.

Senior managers and executives from financial management and program offices have been extremely supportive of the efforts to uncover and identify regulatory and statutory obstacles to this reinvention effort. They have engaged and empowered in the travel reinvention effort professionals most likely to be affected by the travel improvement changes and who have the most at stake in getting the job done right.

This document is intended to stimulate independent efforts by departments and agencies to reengineer and streamline their travel policies. It is hoped that levels of awareness within the financial management community will be raised concerning the potential savings to be derived from travel reengineering. The Travel Improvement Project Team has identified savings assuming that its recommendations will be fully embraced by tax policy experts of the Department of the Treasury. With that assumption, savings approximate \$820 million dollars in annual administrative and direct costs, but this is only a beginning. In addition to the savings identified within this report, the improvements of travel management will also reduce administrative expenses by amounts that cannot be quantified at this time. Widespread implementation of these and other improvements will enable us to demonstrate to the public that the government can do more with less.

Finally, I would like to express thanks to the participants from federal departments and agencies as well as representatives from the Chief Financial Officers Council, President's Council on Integrity and Efficiency, the National Performance Review, and private sector companies who provided suggestions stemming from our meetings with them. This report was developed as a result of interest, expertise, and personal commitment. The commitment of the participants extends beyond their contribution in developing these recommendations, as many have already drafted necessary regulatory and statutory proposals, and have commenced implementing improved practices. We look forward to continuing to work with agency representatives to help ensure that maximum savings, efficiency, and effectiveness will be achieved.

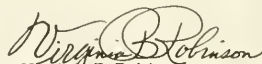

Virginia B. Robinson
Executive Director

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Acronyms

ATM	Automated Teller Machine
CONUS	Continental United States
EFT	Electronic funds transfer
FIRMR	Federal Information Resources Management Regulation
FTR	Federal Travel Regulation
GAO	United States General Accounting Office
GSA	General Services Administration
IDL	International date line
I.R.C.	Internal Revenue Code
IRS	Internal Revenue Service
JFMIP	Joint Financial Management Improvement Program
M&IE	Meals and incidental expenses
POV	Privately owned vehicle
PTC	Pre-determined travel cost
RIT	Relocation income tax
SF	Standard Form
SSA	Social Security Administration
TDY	Temporary duty
TMC	Travel Management Center
TOSE	Temporary quarters subsistence expenses
U.S.C.	United States Code

I. Introduction

The federal government spends billions each year for official duty travel by its employees. For such travel, the government has taken advantage of widely-used methods for holding down costs including making all trips subject to supervisory approval and negotiating discounted government rates with airlines, hotels, and moving van lines, and other travel services providers.

Numerous statutes and regulations have been established and implemented with the intent of bringing better control to travel activities and expenditures. With the passage of time, some of these statutes and regulations have come to have effects opposite their intents. Government travel professionals believe that it is time to revamp statutes, regulations, policies and procedures that determine how government employees perform travel. Controls favorably guide how travel is managed, but may unduly restrain the government from reinventing and using more efficient and less costly practices.

In October 1994, the Joint Financial Management Improvement Program (JFMIP) formed the Travel Improvement Project Team to reinvent policies and procedures that affect (1) temporary duty (TDY) and (2) relocation travel within the federal government. The focus of the review has been to enhance the delivery of travel services and to identify direct and administrative costs that can be reduced.

Throughout the course of this project, the participants have developed paradigms, a philosophy, and objectives which serve as the foundation of this effort. The paradigms below have served as the basis from which many of the recommendations have been developed. These paradigms represent presumptions within the government— all of them false—that have influenced the development and current management of travel policies.

"All travelers are crooks."

"One size fits all."

"Punish many, catch a few."

"The rules won't let us do it better."

The Travel Improvement Project Team has been guided by a philosophy to improve governmentwide travel policies that is counter to these paradigms. This philosophy encourages the use of common sense to develop new policies and guidelines, and asserts that successful travel programs are those that embody simplicity and integrity:

- (1) More money can be saved by simplifying and re-engineering the travel policies than is spent on monitoring and controlling the existing policies.
- (2) New electronic audit tools can foster and improve compliance to travel policies and ensure travel management integrity.
- (3) We can overcome the impediments because we placed them on ourselves.

The Team's objectives are to:

- » Eliminate paper.
- » Cut red tape.
- » Automate the process.
- » Humanize the treatment of travelers.
- » Use exemplary practices to create parity between travel practices of the public and private sectors.
- » Save taxpayers money.

The Travel Improvement Project Team met with private corporations, associations, stakeholders, and travel industry experts. They assured themselves that many existing travel practices are appropriate for the government and can be implemented. Travel practices modeled on the exemplary practices of public and private organizations should, therefore, be used by departments and agencies as alternatives for the regulatory and statutory provisions currently followed.

The Team recommends applying only a few policies governmentwide. The majority of recommendations are optional—a departure from “one size fits all.” Agencies should use the best and most practical travel policy given their unique operational or mission-related needs.

II. Travel Improvement Recommendations

Specific recommendations for (1) temporary duty and (2) relocation travel are presented in the third and fourth sections of this report. Each recommended practice contains four subparts: Issue, Background, Recommendation, and Implementation. "Issue" provides a short title for the recommendation. "Background" conveys the current practice and/or other elements that affect the issue. "Recommendation" suggests the preferred alternative practice. "Implementation" briefly generalizes factors to consider upon implementing the recommendation.

The Travel Improvement Project recommendations embody the use of old, existing, emerging, and new technologies; common sense; and incentives. Uses of personal computers and travel software now are readily available governmentwide. The Project Team strongly recommends the use of travel software to automate and accelerate travel processes. We also strongly urge embedding electronic audit tools and integrating travel data with core financial systems to heighten data integrity.

In order for travelers to understand and comply with travel policies, the policies must be simple. Travel is not an end in itself. It is a support function that enables the traveler to fulfill mission-directed goals. We must not make support functions difficult, for it will add unnecessary complexity to the mission. The Team strongly urges implementing policies that are easy to understand and easy to administer. We recommend policies based on common sense.

The Team has observed that many organizations offer incentives to save more money than they would realize even if they had the best travel process known. These organizations use modest incentives to offer travelers rewards for personal sacrifices. Many travelers are willing to participate in incentive programs. Though the Team was initially skeptical of the benefits to both the government and travelers, gain-sharing pilots have clearly shown this is a win/win approach to reducing travel costs. The government saves administrative and direct costs; the traveler receives a modest reward, consistent with rewards paid in other public and private organizations. The incentives awards approach is no substitute for proper management; it is an optional tool to further reduce costs by using the traveler to find ways to contain travel costs.

Before we can strongly urge agencies to implement these recommendations, regulations and legislation need to be amended. The Team strongly recommends that the General Services Administration (GSA) seek and implement changes to support these recommendations. In fact, the Team will shortly deliver basic regulatory and statutory language to GSA to update the Federal Travel Regulation (FTR) and applicable statutes.

III. Temporary Duty Travel Reinvention

A. Recommendations

The issues addressed for temporary duty travel reinvention include the following:

Require use of the government-issued charge card and the automated teller machine (ATM) programs	6
Consolidate and automate travel data	8
Simplify recording of travel times for Meals and Incidental Expenses reimbursements and eliminate M&IE for same day travel	10
Increase the receipts threshold from \$25 to \$75 and allow agencies to determine receipts retention requirements	12
Use Travel Management Centers (TMCs)	13
Implement Pre-Determined Travel Costs	14
Shift expense review to the approving official	15
Eliminate telephone call certification requirement and increase use of telephone calling cards	16
Require audit by statistical sampling	17

Section B, which follows the recommendations, presents a matrix of *Temporary Duty Travel Reinvention Proposals At-A-Glance* (see pages 18 and 19).

Temporary Duty Travel Issue

Require use of the government-issued charge card and the automated teller machine (ATM) programs.

Background

In January 1989, the General Services Administration amended the Federal Travel Regulation to provide policy governing frequent travelers' use of the government-issued charge card (a frequent traveler travels two or more trips per year). The intent of the policy was to require employees to use the charge card to pay for official travel expenses to the maximum extent possible and to limit advances of funds to out-of-pocket expenses; e.g., mileage, parking, tolls, fuel, ground transportation (other than car rentals) and meals.

Federal agencies can efficiently provide cash for out-of-pocket expenses through the ATM feature of the charge card program; however, this feature is optional. Many agencies continue to issue check and currency travel advances for out-of-pocket expenses. Some agencies also continue to issue cash advances for lodgings and car rentals.

GSA has negotiated with the current charge card vendor a 0.65 percent refund on charge card program purchases (excluding ATM withdrawals or travelers checks). In addition, the government may realize an additional refund when employees and agencies pay individual and central bills faster. Refunds are paid three times a year and represent significant savings to the government. The charge card is not used to the fullest practical extent, however.

Recommendation

The Project Team recommends expanded use of the charge card program:

- (1) Agency-required use of the charge card for all travel-related expenses, including, but not limited to, transportation tickets (in conjunction with common carrier reservations), lodgings, and car rentals; and
- (2) Increased agency use of Automated Teller Machines to distribute travel advances and cash for out-of-pocket expenses.

Agencies may provide a traveler an advance of funds when travel is performed where the charge card is not accepted. The charge card proposal increases agency refunds, improves governmentwide cash management, streamlines travel functions, simplifies the payments process, and provides quality customer service to travelers.

Implementation

This proposal can be effected by amending FTR sections 301-1, 301-3, 301-10, 301-11 and 301-15 to include a provision requiring use of the charge card payment system (with the ATM feature), for all travel-related expenses and authorized advances of funds.

Implementation of this proposal requires GSA to issue an amendment to the affected FTR sections. This change will allow exceptions for situations when use of the charge card is impractical (e.g., temporary quarters in connection with a

permanent change of station and long-term temporary duty travel), when long term travel (because of delayed voucher filing) would cause a charge card delinquency; or when travel is to areas where the card is not accepted.

This proposal provides for the use of the individual charge card by travelers and the use of centrally billed charge card account by agencies. Also, agencies may opt to split payments; i.e., reimbursement to travelers for out-of-pocket expenses, and direct payment to the charge card vendor. This process can provide for timely payment to the charge card vendor and maintain agency refunds.

In fiscal year 1995, the Social Security Administration (SSA) implemented agreements with three unions to require use of the charge card by travelers. The individual card is used to pay all travel-related expenses and to obtain cash for travel needs using ATMs. Centrally billed accounts are used in instances when the traveler could not charge transportation tickets to the individual charge card. In addition, SSA established procedures to issue an advance of funds when the ATM feature could not be used.

Temporary Duty Travel Issue

Consolidate and automate travel data.

Background

Most agencies use several different paper forms to document the authorization of travel obligation of funds, advance of funds, and voucher claim (actual expenditure). This data provides information to verify travel policy compliance and to ensure the proper use and handling of travel funds. Currently, the General Services Administration requires agencies to use Standard Form (SF) 1012, Travel Voucher, and SF-1038, Advance of Funds Application and Account, unless specifically excepted by waiver. The forms used by agencies often contain many of the same data fields. In addition, the data on the forms must be entered into the agency's automated financial system. Reentry of this data is redundant, unnecessary, and labor intensive. It consumes significant resources in an environment of scarce resources. Keying errors (typographical, number transpositions, etc.) often compromise data integrity and diminish its value.

Retention and storage of these forms also present problems. Forms often are originated or filed in different geographic locations so that there is no central repository for travel data. The retrieval of historical travel data for management information system needs is extremely difficult.

Recommendation

The Project Team recommends that GSA identify and define standard data elements and eliminate the requirement for specific forms for travel. In addition, the Project Team recommends agencies consolidate data collection and retention in a single automated repository. This can be effected by employing an automated travel system which will reduce the administrative time of rekeying data. Automation will also allow agencies to easily edit incorrect travel data. A travel system should provide travel funding information, respond to ad hoc historical queries, provide payment history, and issue management information reports. The system should have edit checks based on the GSA lodgings and meals and incidental expenses (M&IE) rates, and calculation checks which are critical for other recommendations.

Agencies must also integrate their travel and financial management systems to meet the Office of Management and Budget and JFMIP Financial Management System Requirements.

Implementation

GSA should provide standard data elements for use in automated travel systems as well as on an optional form to assist agencies that cannot immediately migrate to an automated travel system.

Federal agencies will realize a direct savings through a reduction in the collecting, recording, and maintaining of redundant data which will also reduce the number of forms produced. The value of increased accuracy, a component of direct savings, cannot be determined at this time.

The Department of State and the United States Air Force are currently piloting automated travel systems that are integrated with their financial systems.

Information obtained from these pilots can be used to help other agencies make the transition to an automated travel system. State has also designed a one-document travel system. This document incorporates the travel authorization, travel voucher and travel advance. It is to be used when the automated system cannot be used.

Temporary Duty Travel Issue

Simplify recording of travel times for Meals and Incidental Expenses reimbursements and eliminate M&IE for same day travel.

Background

Currently, federal government travelers are required to record the exact time for each departure and arrival point to prorate the meals and incidental expenses allowance. Proration is performed by dividing the calendar day into four quarters, and reimbursing one-fourth of the applicable M&IE rate for each quarter day that the traveler is traveling.

For same day trips, travelers are reimbursed a prorated M&IE amount only when travel time exceeds 10 hours. Within the Tax Code, however, this reimbursement is considered a personal expense, not a travel expense. The Internal Revenue Service (IRS) requires federal agencies to report these reimbursements as taxable earned income to travelers.

The current quarter-day system relies on the precise recording of departure and arrival times. A one minute difference in time may mean the difference between receiving or not receiving reimbursement for a same day trip, as well as, affecting whether a traveler will receive one quarter more or one quarter less M&IE for trips of more than one day. Recorded departure/arrival times cannot be verified; therefore, voucher examiners cannot determine their accuracy. The calculation is cumbersome on a partial day of travel; e.g. the first and last day of travel. The "quarter-day" calculation is not problematic on a full day of travel because travelers are reimbursed four quarters (one full day).

The Federal Travel Regulation currently states that a traveler who crosses the international date line (IDL) must use actual elapsed time to compute appropriate M&IE reimbursement. However, time zone changes can cause significant differences from actual elapsed time (stop watch time).

Recommendation

The Project Team recommends establishing a flat rate system to reimburse M&IE on partial days of travel. Statistical data accumulated by federal agencies clearly shows that the vast majority of travelers receive three quarters (three-fourths) M&IE reimbursement on the first and last days of travel. The Project Team therefore recommends reimbursing a flat three-fourths of the applicable M&IE rate on such partial days. Since this reimbursement is independent of time, we further suggest eliminating the recording of departure and arrival times. The Project Team has already recommended that the IRS recognize three-fourths of M&IE reimbursement as "deemed substantiated" for tax purposes.

The Project Team also recommends eliminating M&IE reimbursement for same day travel. Such reimbursement is excessive because it reimburses travelers for expenses customarily incurred in an ordinary workday. This change will reduce M&IE outlays and will also reduce tax compliance activities by eliminating the need for agencies to track and report reimbursements as income to travelers.

Lastly, the Project Team proposes changing the current method from measuring time in quarters to measuring time in days. This change simplifies time computations for IDL crossings without consequence to the traveler.

Implementation

This proposal can be implemented through a minor regulatory amendment to FTR section 301-7. Simplification of the reimbursement process will reduce the data requirements necessary to effect payment and the number of data elements gathered by travelers and retained in automated systems. Elimination of data elements also simplifies remaining calculations. The Department of State is currently piloting this recommendation and reports positive effects for both the traveler and the Department.

Temporary Duty Travel Issue

Increase the receipts threshold from \$25 to \$75 and allow agencies to determine receipts retention requirements.

Background

In 1962, the Internal Revenue Service (IRS) issued a regulation to require receipts for all expenditures of \$25 or more. In addition, receipts are required to substantiate lodging and 18 other expense items listed in the Federal Travel Regulation section 301-11.3(c). The 18 items include expenses such as those for radiograms and the rental of steamer chairs, rug, and typewriters. The review of low-dollar receipts is time consuming and has minimal value. The receipts are copied and stored with the travel voucher which increases paperwork.

Recommendations:

The Project Team recommends increasing the receipts threshold from \$25 to \$75 for all expenditures. The Project Team also recommends that the General Services Administration update FTR section 301-11.3 by eliminating the receipt requirement for most of the 18 antiquated expense items that are of insignificant value or no longer used in travel. (Receipts will continue to be required for passenger transportation and shipment, freight or express.) In addition, the Project Team recommends the IRS eliminate the receipt requirement for lodgings expenses when such expenses are within the GSA per diem rates.

Documentation would be retained for at least 1 year at an agency determined location; e.g. the approving official's office, traveler's office, or headquarters office. The receipts should be easily accessible in the event the voucher is selected for full audit. Thereafter, the Project Team recommends retaining documentation, in a location as determined by the agency for 3 years.

Implementation

During the course of this reinvention effort, the IRS raised the receipts threshold from \$25 to \$75. GSA amended the FTR increasing the receipts threshold to \$75.

Removing the requirement to collect and review small dollar receipts of little eliminates unnecessary paper which will enable agencies to institute electronic, paperless processing of travel documents, to expedite travel voucher preparation and processing.

Temporary Duty Travel Issue

Use Travel Management Centers (TMCs)

Background

The General Services Administration Travel Management Center (TMC) Program consists of contracts with private sector travel agents to provide commercial travel services at no cost to the government. The travel agents are paid commissions from other travel service providers (airlines, hotels, etc.). Historically, TMCs have provided one-stop shopping for passenger transportation, lodging, and rental vehicles for federal travelers. Some large professional travel agent companies offer a broad range of travel services. Expanding the use of TMC services to include travel policy compliance, pre-determined travel cost estimation, and detailed travel expense reporting may result in the government being charged for services. However, these services, currently being performed by government agencies, can be outsourced to streamline governmental operations, and significantly reduce administrative costs associated with federal travel.

Recommendation

The Project Team recommends federal agencies outsource to TMC's all travel arrangements and travel cost estimations and expense reports. GSA and federal agencies should partner to identify requirements to develop a range of expanded standard services. TMCs can use management information to integrate agency defined cost limit controls and compliance checks to ensure bookings and itinerary changes comply with federal and/or agency's travel policy guidelines. Linking TMC pre-determined cost estimates, expense reports, and agency accounting data will improve government financial management. These links will provide data to (a) better manage trip planning and travel funds, (b) implement lower-cost payment options such as Electronic Funds Transfer (EFT) and split payment (to the traveler and to the government charge card contractor), and (c) reduce account reconciliation and travel information retention costs. In addition to the savings identified, this proposal will reduce other administrative expenses which cannot be quantified at this time.

Implementation

Implementation of this proposal requires the development of standardized contractual specifications to include expanded TMC services. GSA should develop general standards specifications and consult with agencies to develop additional agency requirements.

Planning is required for the time-phased changes in agency's management practices, identifying relevant data elements for management information system application, and installing necessary software.

Temporary Duty Travel Issue

Implement Pre-Determined Travel Costs

Background

Contrary to perception, most government travel is completed according to the planned itinerary. Still, the federal government continues to compute the cost of travel after expenses have been incurred - a practice still in use after many years. There is enormous value in knowing travel costs beforehand. The federal government should apply estimating tools to "pre-determine its travel costs."

The term "pre-determined travel cost" (PTC) is an estimated trip expense derived by constructing the travel costs before the trip begins and the expenses are incurred. PTC can be constructed by using historical data or information provided by travel management centers to identify transportation, lodging, and other definable expenses (rental cars, etc.). Agencies will continue to use rates negotiated by the General Services Administration to control travel expenses. Upon completion of a trip, travelers are expected to complete a travel expense report to substantiate the costs incurred. The PTC and the actual trip expense should be the same. When there is a variation, however, a post adjustment will be made.

Recommendation

The Project Team recommends use of PTC as a means of reliably estimating travel costs before travel occurs. This practice serves three purposes: (1) it eliminates the uncertainty of travel costs, (2) it provides reliable cost data for obligation purposes, and (3) it provides approving officials with management tools to manage, rather than react to, travel costs.

All agencies may not be able to adopt this practice immediately. The Project Team recommends that agencies migrate to PTC as soon as possible, but continue to use the existing travel process until it is fully implemented. In addition, agencies may use the existing process when travel cannot be planned ahead of time.

Implementation

This proposal has several systemic implications. The PTC cost construction should be software driven. This software should be developed in conjunction with the proposal requiring the use of Travel Management Centers and the proposal to Consolidate and Automate Travel Data. Accordingly, agencies will need to construct costs based on standard data elements. If agencies are unable to immediately secure or integrate automated TMC service information, they may use historical data accumulated in "off-the-shelf" travel management software to construct costs. U.S. Customs Service has had great success in the use of PTC.

Temporary Duty Travel Issue

Shift expense review to the approving official.

Background

A certifying official is ultimately responsible for the authenticity of information stated in the travel voucher and its supporting records and to determine the "legality of a proposed payment." More specifically, a voucher examiner verifies that travel expense claims are properly computed, necessary, and supported by documentary evidence. These individuals have little control or knowledge of the need to travel and must attest to the validity of travel expense claims of travelers outside their organizational unit. Many of these organizational units are located in other geographic areas.

Supervisors have control over travel activity. They authorize travel, control travel budgets, and oversee a traveler's performance. They review and sign travel vouchers to verify that travel was performed as authorized. It is appropriate to consolidate travel oversight responsibilities to the approving official.

Recommendation

The Federal Travel Regulation currently states that the approving official's (supervisor's) review "shall not be a detailed audit for accuracy . . ." This practice is counter to conventional wisdom. The Project Team recommends placing responsibility for travel oversight with agency-designated approving officials.

This streamlines organizational administration and centralizes travel oversight with an individual (approving official) who oversees all other travel functions. Approving officials would attest that travel for which reimbursement is claimed was performed as authorized and that expenses are reasonable and necessary and supported by documentary evidence. Certifying officials would remain responsible for ensuring that no other payment is made for the claim. Travel payments would be disbursed upon the certifying officer's consent.

Implementation

This proposal can be effected by amending FTR sections 301-1 and 301-11 to modify the responsibilities of certifying and approving officials. The recommendation can be implemented immediately with little effort.

Temporary Duty Travel Issue

Eliminate telephone call certification requirement and increase use of telephone calling cards.

Background

Currently, federal statute (31 U.S.C. 1348(b)) requires agency heads to "certify," before making payment, that individual official long distance telephone calls are in the interest of the government. All travelers are required to submit telephone call receipts, regardless of the amount. This requirement is based on a law enacted May 10, 1939.

The Federal Travel Regulation requires travelers to record on the travel voucher the service rendered, date, amount paid, and whether the service was official. In addition to the traveler's reporting requirement, approving and finance office officials must also deal with the review and retention of telephone receipts (6 years and 3 months). Many travelers do not carry the government calling card and often place calls through hotel phone systems to document the time, date, and number called for certification purposes.

Recommendation

The Project Team recommends removing the current statutory certification requirement and delegating the management and review of communications expenses to the approving official. The current applicable statute is too prescriptive and counter to the intent of the law. It causes unnecessary administrative burden with little value. In many instances, the cost of certifying telephone calls exceeds the cost of the calls themselves. In addition, the Project Team recommends agencies increase use of the government calling card to further reduce costs. Unfortunately, saving from the use of the government calling card cannot be determined at this time.

Implementation

Alleviating the telephone certification requires the enactment of enabling legislation. In addition, several regulations must be amended to update references to the current certification requirement. These include FTR Sections 301.1, 301-6, and 301.7. The Federal Information Resources Management Regulation (FIRM 201-21) also must be modified.

Temporary Duty Travel Issue

Require audit by statistical sampling

Background

Currently, numerous agencies audit all travel voucher calculations and supporting documentation regardless of the amount claimed. The 100% auditing of all travel vouchers is inefficient and costly.

Recommendation

The Project Team recommends requiring the use of statistical sampling methods in the auditing of travel vouchers. The use of statistical sampling auditing methods maintains a very high degree of integrity while reducing administrative costs. The General Accounting Office (GAO), under Public Law 93-604, has for years authorized the use of statistical sampling methods. Other audit means may be used where statistical sampling criteria cannot be met to test travel reimbursement calculations.

Implementation

Federal Travel Regulation Section 301-11.4, "Claims for Reimbursement, Submission and Review of Travel Vouchers," will be modified to encourage agencies to establish appropriate statistical sampling procedures consistent with Title 7 of the *GAO Policy and Procedures Manual for Guidance of Federal Agencies* to provide reasonable, rather than absolute, assurance that the review objectives in this section are met. Agency sampling techniques can be enhanced using travel software integrated with the agency's financial management system. The software should have automated edits to verify travel data migrated to the agency's financial systems. We also encourage agencies to review statistical sampling criteria with their agency's Office of the Inspector General. The Agency for International Development and the Department of Defense have both recently implemented statistical sampling for travel vouchers.

B. Requirements and Impacts of Recommendations

In the *Temporary Duty Travel Reinvention Proposals At-A-Glance* matrix, the Project Team:

- » lists the proposals,
- » indicates the "Nature of Change" as Legislative, Regulatory, both, or neither;
- » indicates whether or not there are tax policy implications associated with the initiative; and
- » estimates governmentwide savings from each initiative by savings in administrative expense, direct travel costs, and total amount.

Temporary Duty Travel Reinvention Proposals At-A-Glance

	Nature of Change		Tax Implications		Governmentwide Savings (\$ millions)		
	Legislation	Regulation	Yes	No	Admin	Direct	Total
Require the Use of the Government Charge Card and Automated Teller Machine (ATM) Programs		X		X	49.0	13.0	62.0
Consolidate and Automate Travel Data		X		X	89.5	(1.4)	88.1
Simplify Recording of Travel Times for Meals and Incidental Expenses Reimbursement and eliminate M&IE for Same Day Travel		X	X		15.7	25.0	40.7
Increase the Receipt Threshold from \$25 to \$75 and Allow Agencies to Determine Receipt Retention Requirements		X	X		92.0	0.0	92.0
Use Travel Management Centers (TMCs)		X		X	73.7	0.0	73.7
Implement Pre-determined Travel Costs		X	X		40.2	0.0	40.2
Shift Expense Review to the Approving Official		X		X	22.7	0.0	22.7
Eliminate Telephone Call Certification Requirement and Increase Use of Telephone Calling Cards	X	*		X	19.3	0.0	19.3
Require Audit by Statistical Sampling		X		X	28.4	0.0	28.4
TOTALS					430.5	36.6	467.1

*Regulation would be amended to update any legislative changes

IV. Relocation Travel Reinvention

A. Recommendations:

The issues addressed for relocation travel reinvention include the following:

Notify employee early of transfer	22
Require the use of the government-issued charge card and the automated teller machine (ATM) programs	23
Pay limited relocation allowances for a temporary change of station	24
Use cost-reimbursable pricing for Relocation Service Contracts	25
Pay pre-determined travel costs for temporary quarters	27
Pay pre-determined travel costs for househunting trips	28
Pay locality per diem for househunting trips (for employees using pre-determined travel costs)	29
Cap the value of homes paid for in Guaranteed Home Sale Programs	30
Pay home marketing incentive	31
Allow agencies to separately contract for residence-related relocation services including property management	33
Directly reimburse required property inspection and environmental testing fees	35
Directly reimburse property management expenses	36
Ship privately owned vehicles (POV)—Domestic	37
Ship privately owned vehicles (POV)—International	38
Assist accompanying spouse in finding employment	39
Modify the taxability of moving expenses and eliminate the relocation income tax allowance	40

Section B, which follows the recommendations, presents a matrix of *Relocation Reinvention Proposals At-A-Glance* (see pages 42 and 43).

Relocation Travel Issue

Notify employee early of transfer.

Background

Employees transferred to new official duty stations are frequently asked to begin work at their new duty stations as soon as possible, and often within 30 days of notice. This creates pressure, not altogether unavoidable, for the relocated employee to pack, move, and settle into the new location at a pace quicker than is conducive to good decision-making in regard to all the major relocation choices an employee is faced with having to make.

Supervisors often impose a reporting period that unduly burdens the employee who is to transfer. The rush that ensues has a negative effect on the quality of the relocation and associated relocation costs. There is a direct correlation between the time allotted for the employee to report to the new duty station and the costs of the relocation. When a shorter reporting period is imposed, relocation costs increase for temporary quarters, storage of household goods, and guaranteed home sale contracts. Such unfavorable cost increases, together with the additional stress on the employee and accompanying family members, could be avoided if agencies provided a longer advance notification period. The Federal Travel Regulation currently stipulates that a transferred employee be given no fewer than 30 days advance notice, unless other regulations or special conditions prevail. Some agencies have already instituted a longer notification period of 120 to 180 days and have consequently recognized a reduction in their relocation costs.

The conditions and cost of a relocation must be weighed carefully against the agency's need to have the services of the employee at the new duty station as soon as possible. In many circumstances, the agency cannot wait 3-4 months after formal notification of selection to relocate the employee to the new duty station. A requirement of 120 days notice could unduly restrict an agency's access to human resources and potentially impair the delivery of important services to the public.

Recommendation

The Project Team urges government agencies to provide advance notification of a change of official station to a relocating employee at as early a stage in the transition process as possible. The Project Team has concluded, however, that it will not recommend a mandatory advance notification period of more than the 30-day minimum guideline already specified in the Federal Travel Regulation.

Implementation

Implementation of this proposal would result in agencies voluntarily examining, and reviewing their current relocation policies and practices, and lengthening their period of advance notification to all relocating employees to the maximum extent possible. Early notifications extend employees' planning and preparation times and, in turn, can help reduce direct costs to the government.

Relocation Travel Issue

Require the use of the government-issued charge card and the automated teller machine programs.

Background

The Government-Issued Charge Card and ATM Programs are discussed at the start of the Temporary Duty Travel Reinvention chapter.

Recommendation

The Project Team recommends expanded use of the charge card program and that agencies particularly act to increase the use of charge cards within relocation travel activities. For permanent changes of station, charge card use has not been used to its fullest extent.

Implementation

As noted in the temporary duty travel section, this proposal can be effected by amending FTR sections 301-1, 301-3, 301-10, 301-11 and 301-15 to include a provision requiring use of the charge card payment system for all travel-related expenses and authorized advances of funds (with the ATM feature). Implementation of this proposal requires GSA to issue amendments to the affected FTR sections. This change will allow exceptions for situations when use of the charge card is impractical (e.g., temporary quarters in connection with a permanent change of station and long-term temporary duty travel), when long term travel (because of delayed voucher filing) would cause a charge card delinquency, or when travel is to areas where the card is not accepted.

This proposal provides for the use of the individual charge card by travelers and the use of centrally billed charge card account by agencies. Also, agencies may opt to split payments; i.e., reimbursement to travelers for out-of-pocket expenses, and direct payment to the charge card contractor. This process can provide for timely payment to the charge card contractor and maintain agency refunds.

Relocation Travel Issue

Pay limited relocation allowances for a temporary change of station.

Background

The services of federal employees frequently are needed at locations away from their permanent duty station for extended periods ranging from a few months to two years. Employees assigned to long-term details are expected to secure lodging and meals at a lower cost (e.g., weekly, monthly, or yearly rentals). The daily per diem allowance is expected to be reduced commensurate with the reduced costs incurred. In most cases, however, employees still receive a monetary allowance that significantly exceeds what is needed to cover expenses. In addition, employees generally are authorized to periodically return to their official stations on weekends to visit family.

Many agencies would find it more cost effective to authorize payment of full permanent changes of station expenses for detailed employees to move to the temporary duty locations and to return to the original official duty stations. These types of moves include residence transactions even though employees are expected to return to the same location.

Recommendations:

The Project Team recommends providing agencies the option to pay limited relocation allowances for a temporary change of station as an alternative to paying daily per diem allowances for long-term temporary duty assignments which are costly to agencies.

Specifically, the Project Team recommends that Chapter 57 of Title 5, United States Code, be expanded to grant agencies the option to reimburse temporarily detailed employees (and families) to areas within and outside CONUS for non-residence allowances (that currently does not include lease breaking) and other relocation allowances and benefits as prescribed. These limited benefits would include: enroute travel and transportation, shipment of privately owned vehicles, househunting trips when necessary and cost effective, lease breaking expenses and reimbursement for relocation income tax (RIT) allowances. Employees would decide whether to maintain or vacate residences at the official duty station, and they would be responsible for any associated costs.

Implementation

Implementation of the proposal will require amendment legislation, after which implementing regulations will be drafted by the General Services Administration.

Relocation Travel Issue

Use cost-reimbursable pricing for Relocation Service Contracts

Background

The Federal Travel Regulation currently limits relocation home sale payments made by agencies to contractors to that allowed for direct reimbursement of closing costs (currently \$22,398), unless agencies use fixed-fee pricing. Most relocation home-sale payments would exceed this limitation if contractors were adequately reimbursed. Consequently, virtually all federal agencies elect fixed-fee contract pricing.

Under fixed-fee pricing, a contractor is paid a specific fee (based upon a percentage of the home value) to cover actual costs of selling the home, overhead, and profit. The contractor, in turn assumes the risk that its total costs may exceed the fee received. As a result, contractor bids reflect an allowance for this risk, which makes fees under this pricing system generally higher than under a cost-reimbursable system. Fixed-fee pricing, however, does limit the government's liability. Under cost reimbursable pricing, a contractor is paid for the actual expenses incurred in purchasing, maintaining, and selling properties, plus a management fee (which usually is performance-based) without limit.

Agencies not limited by the direct reimbursement cost ceiling have found cost-reimbursable contracts to be advantageous. Private sector companies, which have provided the guaranteed home sale service to transferring employees for more than 30 years, also use cost-reimbursable contracts. Initially, private sector contracts were awarded with the same fixed-fee contracts now used by the government. This method was gradually eliminated, because fluctuations in real estate conditions drove contractor fees to higher levels to cover their risks. Also, fixed fee offered corporate relocation managers less opportunity to exert financial and operational control over the guaranteed home sale process.

Given appropriate resources, cost-reimbursable pricing — which pays a contractor actual costs, overhead, and a performance-based fee — offers the opportunity to be more cost effective than fixed-fee pricing. An audit of government relocation programs by several Offices of Inspector General (see the Multi-Agency Review of Employee Relocation Practices and Procedures — December 14, 1992) indicated that the four agencies participating in the audit could have reduced relocation costs by \$15.7 million over the one-year period studied, had they used cost-reimbursable pricing.

Cost-reimbursable pricing carries potential disadvantages as well. Agencies using costs-reimbursements must be prepared to assign experienced and dedicated relocation specialists to their contract oversight staff in order to effectively manage such programs. Agencies also would become more accountable for program costs and policy development since cost-reimbursable pricing, unlike fixed-fee pricing, does not automatically limit the government's cost liability for properties.

Recommendation

The Project Team recommends that a legislative change be made to establish authority allowing agencies to use cost-plus pricing structures when contracting for relocation services associated with the purchase of transferred employees'

homes. Allowing this flexibility would ensure that agencies are able to obtain services in the most cost-effective manner possible, considering both actual program and administrative costs.

Implementation

Implementation of this proposal will require legislative change to amend Chapter 57 of Title 5, United States Code. Agencies electing to utilize cost-plus structures for third party relocation service contracts should dedicate sufficient human resources to manage these contracts in a responsible, efficient, and effective manner.

Relocation Travel Issue

Pay pre-determined travel costs for temporary quarters

Background

Federal transferees often must occupy temporary quarters at the new duty station while seeking permanent quarters. For temporary living expenses, a federal transferee currently is eligible to be reimbursed up to \$66 per day for lodging, meals and incidental expenses during the first 30 days of temporary quarters, with reduced amounts authorized for spouse and family. The amounts are further reduced for subsequent periods. Up to 120 days of temporary quarters subsistence expenses (TQSE) may be authorized. Many transferees incur costs for 60-120 days of TQSE when in fact shorter periods might suffice. As a consequence, TQSE reimbursement is among the largest cost of categories in federal relocation.

Under the pre-determined cost reimbursement method, a transferee would not be paid for actual TQSE incurred, but would be paid a pre-determined calculated sum to cover TQSE. The transferee would have to manage with the amount provided and would retain any left-over surplus. Payment of a pre-determined "budget" would encourage the traveler to practice thrift and efficiency; it also would eliminate the need for receipts and detailed vouchers, greatly reducing paperwork and processing time on what normally is the most complex of vouchers to review.

In the private sector, pre-determined cost reimbursement already is used for temporary quarters, because of the simplicity of administration, administrative cost savings, and the empowerment it conveys upon a transferee to manage his or her move. Recent surveys of relocation managers indicate nearly 25 percent use some form of this method for TQSE, and the trend is increasing. More importantly, employee satisfaction with this method rates at the 98-99 percent level.

Recommendation

The Project Team recommends establishing authority for federal agencies to reimburse a transferee for TQSE using a pre-determined cost reimbursement method. The payment would be based on standard locality rates, with a transferee receiving three-quarters of the rate and the spouse and children each receiving one-quarter of the rate. The benefit would be calculated based upon a maximum of 30 days TQSE. The employee would have the right to elect this form of reimbursement or the traditional TQSE method.

Implementation

This recommendation would require a legislative change to Chapter 57 of Title 5, United States Code, establishing this authority. The Project Team intends that this method be offered as an option to, not a replacement of, the existing direct reimbursement method. Though receipts would not be required, a transferee using this method would be required to demonstrate proof that temporary quarters were required for a minimum of 30 days.

Relocation Travel Issue

Pay pre-determined travel costs for househunting trips

Background

Federal transferees who plan to purchase homes at the new duty station typically travel to that location in advance of the move to locate a suitable residence. For their househunting trip expenses, federal transferees currently are eligible to be reimbursed up to \$66 per day for lodging, meals and incidental expenses, with a reduced amount authorized for the spouse. Up to 10 days of househunting expenses may be reimbursed. Many transferees incur costs for the full 10 days of househunting expenses, when a shorter period might suffice.

Under the pre-determined cost reimbursement method, a transferee would not be paid for expenses incurred, but would be paid a pre-determined, calculated sum to cover all related travel expenses. The transferee must manage with the amount provided. Payment of a pre-determined "budget" encourages thrift and efficiency by the traveler; it also reduces the need for receipts and detailed vouchers, which greatly reduces paperwork and processing time.

In the private sector, predetermined cost reimbursement is already used for househunting trips, because of simplicity to administer, administrative cost savings, and the empowerment this method gives transferees to manage their own moves. As the government already successfully uses pre-determined cost reimbursement for miscellaneous expense allowances, use of a pre-determined travel costs payment may easily be extended to househunting trips and payments for temporary quarters.

Recommendation

The Project Team recommends establishing authority for federal agencies to reimburse their transferees for househunting trip expenses using a pre-determined cost reimbursement method. The payment would be based on standard locality rates, with the transferee receiving the full rate and spouses receiving one-quarter of the rate. The benefit would be calculated based upon a 5-day trip maximum.

This approach will save on administrative costs not only through reduced paperwork, but also through reducing resources needed to guide transferees through the complicated rules associated with the current temporary quarters process. This approach will also save on travel costs because average reimbursements will be lowered by limiting the period on which the benefit is based to 5 days.

Implementation

This recommendation would require legislation amending Chapter 57 of Title 5, United States Code, to establish this authority. Also, the Project Team intends that this method be offered as an option to, not a replacement of, the existing direct reimbursement method. Though receipts would not be required, transferees utilizing this method would have to demonstrate proof that househunting trip expenses were required for a minimum of 5 days.

Relocation Travel Issue

Pay locality per diem for househunting trips (for employees not using pre-determined travel costs)

Background

Currently the Federal Travel Regulation prescribes the standard continental United States (CONUS) per diem rate (\$66 per day) as the maximum daily subsistence reimbursement rate allowable within CONUS for househunting trips between the old and new duty stations. Subsistence includes the allowance for lodgings as well as meals and incidental expenses. This rate applies to all CONUS localities, including both high and low-cost areas. Additionally, the FTR provides that the transferred employee's spouse be reimbursed a flat fraction of the employee's per diem rate instead of being individually reimbursed under the lodgings-plus method. In many instances, travel to a high-cost area results in single employees incurring out-of-pocket subsistence expenses. For example, a single employee performing travel to an area where the cost of lodging is \$80 per day, would incur not only \$14 in out-of-pocket lodging expenses, but also the cost of meals, for the day.

Recommendation

The Project Team recommends that agencies be given discretionary authority to authorize reimbursement for househunting trips to the new official station based on use of locality rates already established and used for temporary duty travel, or based on use of the standard CONUS rate, whichever is applicable. Surcharges or add-on fees for an accompanying spouse would be reimbursable.

Implementation

Implementation of this proposal will require the General Services Administration to make a regulatory change in the Chapter 301, Section 301-7, and Chapter 302, Section 302-4 of the Federal Travel Regulation. Agencies opting to reimburse relocating employees using locality rate per diem will need to develop, review or revise househunting trip policies. Implementation of this proposal will require agencies to modify automated travel systems.

Relocation Travel Issue

Cap the value of homes paid for in Guaranteed Home Sale Programs

Background

When a transferred employee's home is sold under a third-party relocation service contract, the agency pays the third-party firm a fee that is proportional to the appraised value of the home sold. While infrequently encountered, such a fee on a very expensive home can make prohibitively expensive the cost of relocating the employee (e.g., the fee on a \$500,000 home can range as high as \$100,000 to \$150,000).

Some agencies have limited the costs exposure associated with the sale of expensive homes by instituting a cap or ceiling on the value of homes they will cover in a contracted relocation services program (for example \$300,000). An employee who owns a home that exceeds the cap can participate in the relocation services program, but the agency limits its financial obligation to the contractor by applying the applicable fee to the cap value. The portion of the fee applicable to the remaining amount in value is borne by the seller (employee).

As an alternative, the employee may bypass these contracted services by electing to sell the home on his or her own and claim direct reimbursement for closing expenses. In making this election, however, the employee would face a dollar limit on the amount of reimbursement, which currently is \$22,398. Agency managers choosing to implement a value cap on relocation services could therefore base such a decision on the fact that participants in a contracted relocation services program can reasonably be asked to face limitations on benefits to that similar to participants in a direct reimbursement program.

Recommendation

The Project Team recommends amending the Federal Travel Regulation to establish a ceiling or cap on the value of homes paid for in a contracted home sale program. Each agency would have discretionary authority to designate the value limit being imposed. Homes with values exceeding the cap would not be barred from acceptance into the relocation service program, but the government's financial obligation would be limited to the appropriate percentage of the ceiling.

Implementation

Implementation of this proposal will be discretionary for agencies. However, if implemented, agencies will minimize their financial obligation for high-value homes being placed in a contracted guaranteed home sale program. The recommendation can be effected through a regulatory change by amending FTR Part 302-12 to describe the mechanism of establishing a value cap and encourage agencies to implement one.

Relocation Travel Issue

Pay home marketing incentive

Background

Most federal agencies currently offer some or all of their transferees the assistance of a relocation contractor to market and sell their homes. Agencies pay contractors a fee for this service. When the contractor must find a buyer for the home, the fee (which covers marketing, maintenance and unlimited carrying costs, resale losses, settlement charges, and risk) is substantial, typically amounting to one-third of a home's appraised value. When a transferee finds a buyer for the home, the resultant fee is considerably reduced because the fee in that instance need only cover limited maintenance and carrying costs, and settlement charges. The proportion of relocating federal transferees that find buyers for their homes is currently low because of the relative convenience of having the contractor handle that responsibility. Contractor efforts to encourage self marketing have been very helpful, but the government can and should do more.

Recommendation

The Project Team recommends a new approach to this area of relocation travel — an approach that saves money and is consistent with the principle of managing for results. To encourage transferees using contractor services to attempt to market their homes, the government should offer a cash incentive for a successful sale.

Already a well-established practice in the private sector, the cash incentive award program has already been piloted in the government. In January 1994, the Social Security Administration piloted a Relocation Home Marketing Incentive Program designed to address this issue. Because no vehicle yet exists within the FTR to pay a home marketing incentive, SSA developed its own incentive program using already existing legislation for employee awards. This award was structured in keeping with 5 U.S.C. § 4503, which authorizes special act or service awards for an accomplishment that benefits the government. An SSA transferee who sells, and closes on, his or her home in connection with a change of station is paid a cash award of \$2,500.

The pilot program has achieved considerable success. For the first year of operation, (calendar year 1994), SSA registered 92 amended sales out of 168 program transactions—an amended sale rate of 55%, which compares favorably to the agency's historical rate of 30 percent. After paying cash awards, SSA still garnered savings of \$930,000 from these amended sales. SSA forecasts approximately the same improved rate of employee sales for 1995.

The Project Team recommends changing chapter 57 of Title 5, United States Code, to specifically give agencies authority to pay cash incentive awards to transferees who sell, and close on, their homes in connection with a change of official station. The Project Team recommends a flat governmentwide amount be awarded (\$2,500) which is consistent with private sector practice.

Implementation

Implementation of this proposal will require enactment of enabling legislation.

Agencies would modify appropriate systems, depending on their election to pay the incentive award through their payroll systems, or commercial and/or travel payment systems. As a result of the legislative change to Title 5, an implementing regulatory change to Federal Travel Regulation, part 302-12 will follow, authorizing cash incentive awards.

Relocation Travel Issue

Allow agencies to separately contract for residence-related relocation services including property management.

Background

Section 5724a of Title 5, United States Code, allows agencies to contract and pay for services that assist transferees in arranging for the sale of their homes at the old duty stations. The statute provides that "such services include but need not be limited to arranging for the purchase of a transferred employee's residence," which suggests that a more expanded interpretation of property-related services for which an agency contract is reasonable. Examples of additional services include pre-transfer counseling, property management, rental and buyer home finding assistance, mortgage counseling, and closing services.

Agencies have learned, by the example of their private sector counterparts, that offering additional services to transferees can contribute considerably to the success of a relocation, saving transferees time and expense and in some cases saving agencies costs as well. To offer these services, most agencies have had to either bundle them together with the basic home sale service under one fee, or ask employees to pay for them to avoid violating the limiting language of the Regulation.

Current FTR language has forced at least two unfavorable developments in the way the government is billed for relocation services:

By bundling services into the standard home sale rate, the government has difficulty in indentifying the exact cost of each separate service.

A few services, such as buyer home finding assistance, have been offered to agencies at no cost. Contractors may or may not receive a share of the commissions (fee) ultimately earned by subcontractors (e.g., brokers), which can increase a contractors risk. If costs are unbundled, then expense could better managed, reducing risks to the contractors, and costs to the government.

Recommendation

The Project Team recommends establishing authority in the FTR for agencies to unbundle and separately contract for property-related services such as pre-transfer counseling, marketing assistance, property management, buyer and rental home finding assistance, mortgage counseling, and closing services. In the case of property management, the Project Team further recommends that a transferee who owns a home be offered an irrevocable choice between home sale service or property management, so that a transferee will not use both services for the same move.

Implementation

Implementation of this proposal will be made by an FTR amendment specifying the types of services for which an agency may separately contract in addition to the purchase of a transferred employee's residence.

Relocation Travel Issue

Directly reimburse required property inspection and environmental testing fees.

Background

State or local statutes require that various property inspections be performed before a residence can be sold or purchased throughout most locations in the United States. These inspections not only certify the condition of the property, but also identify needed remediation of environmental hazards such as radon, asbestos, and lead paint.

Companies that contract with federal agencies to provide relocation services ensure that such inspections and testing are performed, in order to identify property defects and correct them, and thus avoid costly lawsuits. Such services are generally included in the relocation fee paid by agencies to these companies. Hence, the services are not paid for by the employee.

However, when a transferee sells a home (on his or her own) at the former official duty station without participating in a third-party relocation contract, or purchases a home at the new official station with or without the help of a contractor, the agency (by regulation) is not permitted to reimburse the employee the cost of these same services, unless required by a lender. In the case of a home sale, a transferee who files for direct reimbursement for closing costs associated with a residence transaction is given unequal treatment compared to a transferee who is assisted by a contractor.

Recommendation

The Project Team recommends that employees claiming direct reimbursement be paid for required property inspections and environmental testing fees. The Project Team recommends that reimbursement be allowed only for inspections or tests that are required to be conducted by federal, state, or local law or by the lender, as a precondition of the sale or purchase of a relocation residence. This will protect the government from paying for services that are unnecessary or which are elected primarily for the convenience or preference of the transferee.

Implementation

This recommendation can be effected through a regulatory change to amend the Federal Travel Regulation Part 302-6.2 and issue implementing regulations allowing agencies to directly reimburse these costs directly to the employee.

Relocation Travel Issue

Directly reimburse property management expenses

Background

Property management assists a transferee in retaining, and renting, rather than selling, his or her home at the old duty station. Offering this as an option to outright sale of a home in connection with a relocation provides flexibility for agencies and transferees. This is particularly true when it is believed that (1) the transferee may ultimately return to the original/former duty station; or (2) conditions in the real estate market at the time of transfer would result in a significant capital loss for the transferee, if sale of the home is attempted.

The discussion under the recommendation to "Allow agencies to separately contract for residence-related relocation services including property management" addresses reimbursing transferees for costs of property management services offered within relocation service contracts. This discussion addresses reimbursing transferees for costs of property management services when transferees elect not to use contracted relocation services.

Recommendation

The Project Team recommends modifying Title 5, United States Code to allow agencies to directly reimburse transferees for expenses incurred in securing property management services in connection with a permanent change of station. Services would typically include securing a renter, collecting and making payments in connection with rental activities, and managing and maintaining the property. It is intended that employees receiving property management reimbursements will not later be reimbursed for home sale expenses associated with the same move.

Implementation

Implementation of this proposal will require an enactment of enabling legislation modifying Title 5, Section 5724a of the United States Code. Agencies will then issue internal regulations/guidelines advising employees of the availability of direct reimbursement for property management services in lieu of selling their residence. Agency guidelines must state that transferees reimbursed for property management expenses may not claim reimbursement for home sale expenses associated with the same move.

Relocation Travel Issue

Ship Privately Owned Vehicles (POV)—Domestic

Background

Currently, the statute (5 U.S.C. § 5727) prohibits the shipment of a POV at government expense in connection with a permanent change of official station within the continental United States (CONUS). For enroute travel to the new official station, agencies reimburse a transferee, and/or immediate family members, for mileage, based on the number of occupants in the vehicle, and for per diem while enroute. Concurrently, agencies also incur a cost for an employee's salary for unproductive time by granting administrative leave to travel between the old and new official stations. The Federal Travel Regulation stipulates that, at a minimum, employees must travel a distance of 300 miles per day.

Recommendation

The Project Team recommends agencies be given flexibility to authorize shipment of a POV within CONUS when advantageous and cost effective to the government. Factors to consider would include: distance to be driven, estimated number of days enroute, and salary costs for unproductive time while driving to the new duty station.

Implementation

Implementation of this proposal will require enabling legislation to amend Chapter 57 of Title 5, United States Code, and subsequent issuance of implementing regulations in the Federal Travel Regulation by the General Services Administration for shipment of a POV within CONUS.

Relocation Travel Issue

Ship privately owned vehicles (POV) — International

Background

Currently the Federal Travel Regulation specifies that a transferee whose POV was transported at government expense to an official station outside the continental United States (CONUS) may have that vehicle returned to the United States at government expense (not to exceed certain limitations). Thus, return of a POV (not necessarily the same vehicle) to the United States when the overseas tour is completed requires that a POV must have been shipped at government expense to the overseas official station. Transferees who are relocated overseas without a POV, but who acquire a vehicle overseas, cannot avail themselves of this benefit.

To take advantage of this entitlement, some employees ship a POV overseas with no intention of shipping it back. Often such a vehicle is in poor mechanical condition, and the employee disposes of it and obtains a newer one for return shipment to the United States at government expense.

Recommendation

The Project Team recommends that agencies be provided flexibility to authorize and pay for the shipment of a POV (from a post of duty outside the U.S.), back to the United States even though a POV was not originally shipped to the overseas post of duty.

Implementation

Implementation of this proposal will require the General Services Administration to issue a regulatory change in the Federal Travel Regulation for shipment of a POV from an overseas duty station, even though a POV was never originally shipped to the foreign post of duty from the United States.

Relocation Travel Issue

Assist accompanying spouse in finding employment.

Background

Currently, when a dual-career family relocates, the accompanying spouse must find employment at the new duty station with very little assistance from the government. In many cases, the spouse is unable to find employment at the new location resulting in loss of the second income and consequent financial burden and emotional stress with inevitable impact on the productivity of the relocated employee. In addition, mortgage financing at the new duty station may be unavailable if evidence of two incomes is required but not yet secured. Private sector companies have already discovered that to recruit and retain the best workforce possible, and to ensure that relocated employees are productive in their new positions as soon as possible, some form of employment assistance for relocating spouses represents money well-spent.

Recommendation

The Project Team recommends that federal agencies have discretionary authority to pay for employment assistance for relocating spouses. The assistance may include: resume developing and printing; access to a job network; career counseling; employment agency or job placement fees.

Many of these services are already offered as a package by relocation sub-contractors who specialize in helping transferring spouses find work. Such packages can be cost effective for the government by grouping services under one price and providing the services by trained professionals, saving the spouse effort and time.

Implementation

Implementation of the proposal will require enabling legislation to amend Chapter 57 of title 5, United States Code. The guidance will be sufficiently specific to preclude misuse, but will enable agencies to exercise this authority when it is deemed in the best interest of the government.

Relocation Travel Issue

Modify the taxability of moving expenses and eliminate the relocation income tax allowance.

Background

Currently, federal employees are taxed on reimbursements for moving expenses which are not considered qualified moving expense reimbursements under section 132 (g) Internal Revenue Code. A qualified moving expense reimbursement includes reimbursement for enroute transportation, enroute subsistence expenses (except meal expenses), and transportation and temporary storage of household goods.

The government, and most private sector organizations, reimburse their employees for the taxes incurred on moving expense reimbursements through "gross-up" mechanisms. The government's "gross-up" mechanism, called the relocation income tax (RIT) allowance, costs \$32 million in administrative expenses to effectively transfer back to government employees \$250 million collected in taxes from those same employees.

Increased global competition has led to corporate downsizing and consolidation of corporate offices. Today, employing organizations receive the primary economic benefit of a relocation, not the transferee. Many private and public sector employees accept transfers to maintain their current position as opposed to improving their position within the organization. Employers then receive the benefits of a streamlined organization. Employers are therefore willingly pay large sums (the average cost of private sector relocations is approximately \$45,000) for relocating skilled workers who are deemed essential. Employers recognize that reimbursement of income taxes incurred on moving expense reimbursements is a significant relocation cost, and must be considered as part of any comprehensive relocation package. The Employee Relocation Council, a relocation industry trade association, reports that 90 percent of its corporate members gross up for the taxes their employees incur on moving expense reimbursements.

Recommendation

The Project Team recommends that the tax on moving expense reimbursements be assessed against the party receiving the economic benefit of the relocation; i.e., the employer. This proposal will obviate the need for the RIT allowance since the government is a tax-exempt organization.

Specifically, the Project Team recommends that the definition of qualified moving expense reimbursements contained in I.R.C. § 132(g) be expanded to include all moving expense reimbursements. The proposal also requires amending I.R.C. § 274 to limit the employer's compensation deduction for qualified moving expense reimbursements to those expenses which would be deductible by individual taxpayers under I.R.C. § 217.

Implementation

Implementation of this proposal will require coordination with tax experts at the Department of the Treasury toward achieving enactment of enabling tax legislation. Once it is enacted, the Department of the Treasury must issue implementing rules and regulations. The definition of "covered taxable

reimbursements" under FTR provisions governing the RIT allowance excludes tax-exempt reimbursement. The RIT allowance, therefore, will be rendered inapplicable by the change in tax law. The General Service Administration subsequently will issue an FTR amendment to reflect the change.

B. Requirements and Impacts of Recommendations

In the *Relocation Travel Reinvention Proposals At-a-Glance* matrix, the Project Team:

- » lists the proposals,
- » indicates the "Nature of Change" as Legislative, Regulatory, both, or neither;
- » indicates whether or not there are tax policy implications associated with the initiative; and
- » estimates governmentwide savings from each initiative by savings in administrative expense, direct travel costs, and total amount.

Relocation Reinvention Proposals At-A-Glance

	Nature of Change		Tax Implications		Governmentwide Savings (\$millions)		
	Legislation	Regulation	Yes	No	Admin	Direct	Total
Notify Employee Early of Transfer	N/A	N/A		X	0.00	8.80	8.80
Require the Use of the Government Charge Card and Automated Teller Machine (ATM) Programs		X		X	3.27	0.87	4.13
Pay Limited Relocation Allowances for a Temporary Change of Station		X	X		0.90	13.60	14.50
Use Cost Reimbursable Pricing for Relocation Service Contracts	X	*		X	5.70	27.40	33.10
Pay Pre-Determined Travel Cost for Temporary Quarters	✓ X	*	X		17.00	42.20	59.20
Pay Pre-Determined Travel Cost for Househunting Trips	✓ X	*	X		1.50	9.30	10.80
Pay Locality Per Diem for Househunting Trips (for Employees Not Using Pre-Determined Travel Cost)		X	X		0.00	(1.10)	(1.10)
Cap the Value of Homes Paid for in Guaranteed Home Sale Programs		X		X	0.02	6.60	6.63
Pay Home Marketing Incentive	✓ X	*	X		6.58	135.60	142.18
Allow Agencies to Separately Contract for Residence Related Relocation Services Including Property Management		X	X		0.00	10.90	10.90
Directly Reimburse Required Property Inspection and Environmental Testing Fees		X	X		(0.25)	(0.25)	(0.50)
Directly Reimburse Property Management Expenses	✓ X	*	X		0.10	1.40	1.50
Ship Privately Owned Vehicles —Domestic	X	*	X		0.00	7.90	7.90
Ship Privately Owned Vehicles —International		X	X		0.00	20.0	20.0
Assist Accompanying Spouse in Finding Employment	X	*	X		(0.30)	(5.60)	(5.90)
Modify the Taxability of Moving Expenses and Eliminate the Relocation Income Tax Allowance	X	*	X		35.00	0.00	35.00
TOTALS					70.52	285.12	355.64

*Regulation would be amended to update any legislative changes

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